



Review for the New Zealand Transport Agency Waka Kotahi

April 2018



New Zealand Government

NZ TRANSPORT
AGENCY
WAKA KOTAHI

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Introducing the New Zealand Transport Agency's Lead Reviewers



Dr Paul Reynolds

Dr Reynolds currently serves as Deputy Chair of Landcare Research Limited, director of AgResearch Limited, Chair of the Sir Peter Blake Trust, a trustee of the Eastland Community Trust and Chair of the Our Land and Water National Science Challenge.

He was Chief Executive at the Ministry for the Environment (MfE) from 2008 to 2015, when he also led the Natural Resources Sector Group of Chief Executives and served as chair of the Leadership Development Centre and the Advisory Board to the Victoria University of Wellington School of Government. Previous senior public service roles were at the Ministry of Research, Science and Technology and the Ministry of Agriculture and Forestry. Dr Reynolds began his career as a research scientist at the University of Missouri, then at the Department of Scientific and Industrial Research and HortResearch. He holds a PhD in Biochemistry from the University of Otago.

He has been a Lead Reviewer for the PIF Reviews of Ministry for Pacific Peoples, Crown Law Office, Ministry for the Environment and Ministry of Transport and for the PIF Follow-up Review of the Ministry of Culture and Heritage.



Dr Keith Turner

Dr Turner is a professional director and is currently Chair of Fisher and Paykel Appliances Limited and Chair of specialist engineering consultancy Damwatch. He has several Australian directorships: South Australia Power Networks; NSW TransGrid and Victoria Power Networks Pty Limited. He has recently completed his term as a director of Chorus Limited and has previously served on the Board of Spark Infrastructure, an Australian listed company, as Chair of Emirates Team New Zealand and Deputy Chair of Auckland International Airport Limited.

Dr Turner has 40 years' executive experience in the New Zealand power industry, including as CEO of Meridian Energy, from its establishment in 1999 to 2008. He holds a PhD in electrical engineering and is a Distinguished Fellow of the Institute of Professional Engineers of New Zealand.

He has been a Lead Reviewer for the PIF Review of Ministry of Transport.



The Performance Improvement Framework (PIF) enables State Service leaders to identify opportunities for improvement, building positive outcomes for New Zealand.

PIF is designed for agencies in the New Zealand State sector.

The PIF Review is a valuable tool that helps leaders drive organisational change. Change that will improve future agency performance, resulting in the delivery of better public services.

Independent reviewers lead each PIF Review. They have significant leadership experience across New Zealand's public and private sectors. Their fresh perspective helps to stimulate 'new thinking' amongst agency leaders as they grapple with the critical issues and challenges that lie ahead for their agency.

The Review is a future-focused exercise. The reviewers consider the questions: what is the contribution New Zealand needs from this agency and what is the performance challenge to make that contribution over the next four years? Taking a four-year horizon encourages medium-term strategic thinking and helps leaders and agency staff to understand what success would look like. Then, by considering current capability to meet future challenges, the reviewers evaluate the agency's preparedness for the future and describe its performance improvement priorities.

Each PIF Review delivers a published report, ensuring transparency and supporting accountability to New Zealanders.



Peter Hughes
State Services Commissioner

The PIF Review is a valuable tool that helps leaders drive organisational change.

Performance Improvement Framework

Four-year Excellence Horizon

What is the agency's performance improvement challenge?

Delivering Government Priorities

How well is the agency responding to government priorities?

Delivering Core Business

In each core business area, how well does the agency deliver value to its customers and New Zealanders?

In each core business area, how well does the agency demonstrate increased value over time?

How well does the agency exercise its stewardship role over regulation?

Organisational Management

How well is the agency positioned to deliver now and in the future?

 Leadership and Direction	 Delivery for Customers and New Zealanders	 Relationships	 People Development	 Financial and Resource Management
Purpose, Vision and Strategy Leadership and Governance Values, Behaviour and Culture Review	Customers Operating Model Collaboration and Partnerships Experiences of the public	Engagement with Ministers Sector Contribution	Leadership and Workforce Development Management of People Performance Engagement with Staff	Asset Management Information Management Financial Management Risk Management

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Accepting the Challenge

In this section:

New Zealand Transport Agency's commitment
Central Agency support

New Zealand Transport Agency's commitment

He Waka Kotahi, He waka eke noa 'Together on one canoe with no exception moving in the right direction'

Every organisation should continuously look to the future of where it wants to be and what it needs to achieve. Our 2016 PIF Self-assessment set us on a path of being ready for the future and as a result the NZ Transport Agency made some significant and fundamental changes to our strategy, culture and operating model. The 2017 independent PIF Review has validated those changes and provided valuable insights for further improvement.

We are grateful to the many staff, customers, council co-investment partners, and other stakeholders and service providers who provided their perspectives to the reviewers. The feedback and the reviewers' insights have provided us with well-grounded outside-in perspectives about the challenges and opportunities we face, our strengths, and the areas where we can lift our performance. Such feedback is essential to being relevant and delivering better connected journeys for customers and citizens.

We are on the cusp of a transport revolution

The world is changing. Customers' expectations are changing and they expect the NZ Transport Agency to understand and meet their needs. Technology is also changing at a rapid rate – and today's transport system has technology at its core.

Technology is making rapid changes to the way people connect and the transport choices they have.

These fundamental changes are inevitable, and exciting, and require revolutionary as well as evolutionary responses. The changes we are making are so we are well-positioned to adapt to what customers and citizens need from us today and tomorrow.

The essence of our strategy is to think: *system* rather than *networks*; *people* rather than *vehicles*; and *partnerships* to create *more customer value*. The desired behaviours to bring the strategy to life are to be **curious**, **collaborative** and **customer-focused**. Locking in these changes is our new operating model that, together with a supporting organisational structure, business processes and delegations, took effect from 3 July 2017.

These changes mean that we are now even better placed to play our role on behalf of the Government of enabling journeys that provide efficient, affordable and safe access to housing, healthcare, education and jobs and support social and economic development generally. Our foundation is we have become a complete end-to-end planner-designer-builder-operator-regulator. We're able to deliver any type of land transport infrastructure and services.

The challenge now is to ensure effective implementation of the organisational changes we have made to bring the strategy to life and maintain the trajectory and increase the pace of improvements.

We welcome the reviewers' endorsement of our strategy and operating model and agree with them that effective implementation of the operating model is a significant challenge. We are well aware that success depends on our leaders, in particular, living the three DNA attributes and implementing a 'team-of-teams' approach to bring the full potential of the operating model to life.

The essence of our strategy is to think: system rather than networks; people rather than vehicles; and partnerships to create more customer value. The desired behaviours to bring the strategy to life are to be curious, collaborative and customer-focused.

How we will respond to the challenges and opportunities set out in the Four Year Excellence Horizon

The reviewers set out five key areas for the NZ Transport Agency to focus our efforts on – identified as the Four Year Excellence Horizon, together with five key action areas to meet our challenges. The NZ Transport Agency's high-level responses to these are organised under the umbrella of our strategy - System, People, Partnerships - along with actions identified to meet our organisational development needs. The responses are interdependent and together identify how we will give effect to our customer-centred approach and lift our performance to meet our challenges.

System-focused solutions

We welcome the reviewers' identifying the increased value we can provide by taking consistently a system-focused, customer-centric and technology-enabled approach to the performance and development of the land transport system. A systems approach will lead to improved customer service offerings – particularly rapid transport and other multi-modal options, as well as better utilisation of existing networks – for people, for vehicles of all types, and of travel modes. A systems approach will incentivise investment decision-making in system performance gaps rather than network links.

More broadly, we are implementing our system-focused approach by integrating transport decision-making within wider urban form needs so that transport investment and services support urban development objectives and improve the quality of the urban living environment.

We are well placed to develop and implement system-focused solutions. We are shifting to take a comprehensive approach that balances the provision of new infrastructure with travel demand management and network optimisation, leveraging off digital technologies and travel information. A more enabling investment policy setting is needed to support a true system focus and we look forward to playing our role to ensure policy aligns with strategic intent.

Primary actions we are taking to embed a system focus fall in two areas: **system-level planning** and **harnessing technology**.

System-Level Planning

Planning is underway to co-create with partners and stakeholders version two of the **Long Term Strategic View** (LTSV), which has a ten- to 30-year wide view, pulling in to focus on a ten-year outlook. We anticipate engaging with partners and stakeholders on version two **by late 2018**. We will focus on the collaborative effort required to bring it together to ensure its sector-wide acceptance and uptake and we will prioritise a system focus and Resilience, Accessibility and Safety perspectives.

We expect the value of the LTSV to partners and stakeholders and to us will increase over time and that it

will inform system-focused thinking. This year we will use the current LTSV in the development of the 2018-21 National Land Transport Programme as a source of evidence for projects and programmes that may come forward in Regional Land Transport Plans.

The LTSV (version two) will be a step change, more comprehensive and in a more user-friendly format. It will contain system-wide and place-based assessments of the land transport system and connections beyond the land transport system, incorporating information about pressures, opportunities and possible future responses at a transport system level. It will support the Ministry of Transport's strategic thinking across the wider transport system for New Zealand, incorporating and building from the Ministry's transport futures thinking. The LTSV (version two) will underpin development of the 2021-2024 National Land Transport Programme.

We welcome the reviewers' identifying the increased value we can provide by taking consistently a system-focused, customer-centric and technology-enabled approach to the performance and development of the land transport system.

Harnessing technology

We are developing a customer-centric **Transport Technology Future Plan** to operationalise future technology that enables new and enhanced choices to move around in a safe, efficient and healthy manner for our customers. The plan will identify actions to help us transition to a technology-enabled transport system and to energise new and existing service providers to deliver more and more tailored customer offerings, leveraging off the investments we will make.

We will work closely with the Ministry of Transport and others so that the regulatory and investment policy settings enable innovative technology solutions.

The two broad initiatives we will pursue initially are:

- widening our operating system to capture and share information as part of a multi-modal transport system
- expanding the Mobility as a Service marketplace offering, ensuring it plays its role in moving people and goods and encouraging others to provide mobility services on the platform.

People-centred services

The reviewers noted opportunities for the Agency to up its game in smart analysis of data to support a customer-centric focus. As part of our organisational transformation, our new **Customer Experience & Behaviour Directorate** will gather data and generate insight into the preferences, needs and behaviours of our customers and how well the transport system is performing for them, enabling the Agency to better target system performance gaps and customer groups experiencing difficulty. To ensure our solutions work for customers, we are now embedding expertise – like behavioural psychologists and economists, ethnographers, and service designers – into key projects, in particular to support customers to shift modes in urban areas (travel demand management) and to intuitively operate safely.

Early activities for the **2018/19 financial year** include roll out of customer groupings that enable Agency projects and teams to understand and design for the diversity of customers using the transport system; establishing a customer panel and segment networks that enable us to gather deep insight quickly and test or co-create new ideas; and setting up an analytics forum to co-create an evidence base with and for local government partners. We will also ramp up capability around smart analytics and integrated modelling, focusing both on delivering to priority initiatives and creating foundations for faster, smarter analytics in the future.

Safety is fundamental to a system designed for people. A new **Safety and Environment Directorate** will

be a key enabler for us to contribute a step-change in **improving safety and public health outcomes** for our customers and **reducing environmental harms** in our communities. The reviewers identified some positive initiatives underway and signalled what could be achieved with a more enabling authorising environment. Early activities for the **2018/19 financial year** include a new sector road safety and harm reduction strategy, a safer networks programme (designing and delivering safer roads) and initiatives to ensure safer and cleaner vehicles.

Our business planning and therefore delivery emphasis over the next three years aims to:

- reverse the trend of the unacceptable number of road deaths and serious injuries, underpinned by the ethical principle that no-one should die or be seriously injured on the land transport system, and
- reduce carbon emissions from land transport through improving vehicle fuel efficiency, supporting low emission vehicles, facilitating uptake of public transport, shared mobility, walking and cycling, and managing speeds to optimal levels. We intend to continue to mitigate the adverse impact of the land transport system on the natural and built environment.

The reviewers have identified the opportunity to **improve our regulatory systems to ensure they are both relevant and responsive to current and future customers and technologies**. We are excited by the potential for positive change in this area. We will work closely with the Ministry of Transport and others to identify the customer value from a change to a principles-based

regulatory system. A regulatory management strategy, framework and prioritised programme of work **are in development**, to complement and support the Ministry of Transport's role in regulatory stewardship for the transport system, with the first deliverable to be the strategy by **mid-2018**.

We will also commence a comprehensive review of new and used vehicle entry certification processes focussing on how we get the most from the current regulatory system and identifying opportunities to enhance the regulatory settings to deliver benefits to citizens.

The analysis supporting the regulatory work programme will inform, consolidate and focus on those parts of the regulatory system where we need to deliver better customer value as soon as possible, such as: online services; a more effective approach to compliance across the land transport regulatory system and updating the rail regulatory framework.

Partnerships with others to create value

The reviewers have identified the opportunity to improve our relationships with planning and investment partners and stakeholders. We have more to offer to ensure that transport plays its full role in supporting wider government outcomes.

We will **strengthen our partnerships with public sector colleagues to ensure that transport investment and services contribute to wider social and economic development, particularly for urban development**.

The primary focus will be on using development of the LTSV (version two) as an opportunity to collaborate with central and local government and with other transport partners and stakeholders to build a shared understanding of the transport challenges ahead. The goal is that the LTSV becomes a sector tool that is co-created with our partners, accepted by them, and used as the shared evidence base for our short- to medium-term investment and delivery decisions as well as our long-term planning.

A whole-of-government joined-up-approach to developing the LTSV and using it to inform investment priorities will enable us to contribute to wider outcomes in cities and regional communities. This is our opportunity to inform shared understanding and coordination of wider government investment interests (e.g. transport, health, education, housing, environment) and support integrated decision-making to optimise public value over time.

We will ensure that our traditional and enduring partnerships, particularly with local government agencies, are strategic and have a long-term outlook. We already stretch beyond merely transport outputs, as evidenced by our partnerships with local authority spatial planning partners and by our support for the Government's housing initiatives and investments. Ensuring a thriving Auckland is vital and we will continue to work with Auckland and deliver the transport solutions it needs.

We will ensure that our traditional and enduring partnerships, particularly with local government agencies, are strategic and have a long-term outlook.

Organisational development

The reviewers have identified the need to implement fully the organisational changes that underpin achieving the challenges set out in the Four Year Excellence Horizon. The scale of organisational change is significant. We know that strong leadership across the Senior Leadership Team is essential. Our business plan for 2018/19 to 2020/21 will continue the current organisational development focus as we transition fully to the desired behaviours and ways of working and develop the underpinning enterprise systems and processes to bring our operating model to life.

Particular emphasis **over the next year** is to:

- complete our **Workforce Strategy**, including a **Capability and Capacity Plan**, by mid-2018
- start implementation by supporting Diversity and Inclusion
- develop and retain the necessary capability and capacity to deliver and support data analysis and digitally-enabled services in the future.

We will finalise, and begin implementation **during 2018** of, our **Business Technology Plan**. Initiatives will include increasing online customer-centric services and generating more effective customer insights. In addition, the plan will cover the provision of more effective corporate systems and tools to support collaboration, improve information management and core financial services processes, as well as the necessary investment in foundational technology services, such as cyber-security, service management and collaboration tools.

We will also undertake work to identify the longer-term investment options needed to support a truly digital organisation in the future.

The value we deliver at the NZ Transport Agency is to be part of creating a better New Zealand by enabling “*Great Journeys to Keep New Zealand Moving*”. The PIF Review has been timely, the reviewers’ insights helpful, and central agency and Ministry of Transport commitments to support us necessary.

We are excited about being able to play our role more effectively over the next four years, helping people get the most out of life and supporting business.

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Dame Fran Wilde
Acting Chair

Fergus Gammie
Chief Executive

Central Agency support

The New Zealand Transport Agency (NZTA) leads infrastructure build and management and regulatory functions on behalf of the Government to deliver and maintain an effective, efficient and safe land transport system for New Zealand. It is a well-regarded high-performing agency and it has already recognised the need to change its strategy, culture and operating model to meet current and future transport challenges and opportunities for its customers and for New Zealand.

Those challenges include: increasing customer expectations, the need to co-create transport solutions with others, the differing needs of each region, disruptive and transformative technological developments, the impact of natural hazard-related events and climate change.

The Lead Reviewers commended NZTA's recognition of, and commitment to, the need to change fundamentally how it views and undertakes its role in the transport system. They identified, for the agency's performance challenge, five areas of focus in the next four years.

There is a high level of alignment between this PIF Review and that of the Ministry of Transport (MoT) published in January 2018, highlighting a real opportunity for the two agencies to step up their respective roles together to transform the transport system, working with other key players across national and local government and the private sector.

MoT and the three Central Agencies, State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet, will provide effective support and assistance to NZTA to respond to its performance challenge. Of the five areas of focus for NZTA, three in particular provide a major opportunity for NZTA and MoT to work more closely together.

The transport strategy system

The reviewers challenge NZTA to iterate its own Long-Term Strategic View with the work of MoT as it develops the medium-term strategy for the New Zealand transport system. MoT will lead a process with NZTA, other transport agencies and across the broader public sector, liaising with Ministers, to co-create a strategic vision for transport over the medium- (and longer-) term.

This work will produce a strategic approach and outcomes framework that reflect the widest set of public policy objectives. It will be a truly multi-modal, systemic approach. This will need NZTA's unique insights into customer experiences, how regulatory and investment settings operate in practice in the land transport system, and the challenges of building and managing transport infrastructure that delivers value over time.

NZTA also has strong channels to, and presence in, regional and local communities, and works in partnership with a wide range of stakeholders. Success will require each agency to play to its strengths and to recognise and value what others bring to the process.

Technology as an enabler

The reviewers highlight the significant opportunities presented by new mobility options and embedded smart technology, and challenge NZTA to improve its capability to take advantage of new technologies. MoT has an important role to play, in shaping regulatory settings to accommodate new technologies, and in developing policy and investment settings through the Government Policy Statement (GPS) on land transport that guide NZTA's investments. MoT and NZTA will need to collaborate closely for MoT to develop a strong strategic framework for technology as part of its wider system leadership role.

The regulatory system

The reviewers also highlight the opportunities presented by moving the regulatory model for the transport system away from a prescriptive approach towards a more flexible model. MoT is very focused, consistent with its own PIF Review, in leading a review of regulatory design and practice. MoT looks forward to working closely with NZTA in fulfilling this challenge.

The Central Agencies are committed to providing support to NZTA, where able to do so, including:

- in conjunction with MoT, supporting a work programme that creates an effective policy, regulatory and fiscal environment that allows NZTA to make investment decisions leading to better transport outcomes
- supporting key strategic issues and projects such as implementing the GPS and significant investments requiring direct central government intervention or financial support
- ensuring that NZTA's work is joined up with other government agencies and processes and that we leverage NZTA's contribution to policy work programmes.

Peter Hughes
State Services
Commissioner

Peter Mersi
Secretary for Transport

Gabriel Makhlouf
Secretary to the Treasury

Andrew Kibblewhite
Department of the Prime Minister and
Cabinet

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The Challenge

In this section:

Four -year Excellence Horizon
Performance challenge
What will success look like?

Four-year Excellence Horizon

In undertaking this PIF Review the Lead Reviewers considered: “What is the contribution that New Zealand needs from the New Zealand Transport Agency (NZTA) and, therefore, what is its performance challenge? And, if NZTA meets the performance challenge, what would success look like in four years?”

Context

Transport systems are entering a time of disruptive change driven by, amongst other things, the rapid emergence of new technologies and increasing global demands for de-carbonisation. Industry is engaging actively with new technologies that allow improved and/or innovative service delivery and cost reduction. Some consumers are early adopters; others will follow as new technologies and technology-enabled services deliver better travel experiences, greater access and efficiency, improved safety and cost savings.

Depending on how it is delivered, transport can be an enabler for, or impede, economic growth and social participation and cohesion. There are particular transport infrastructure challenges in New Zealand due to the country’s geography, small population for its land mass, as well as the concentration of around 30% of the population in Auckland and the balance widely dispersed throughout the rest of the country. Individuals and businesses make location decisions and choose what transport modes to use and what to invest in vehicles based on the quality and efficiency of surrounding transport infrastructure, land transport links and, in urban centres, public transport options.

Due to geography and history, there is a high usage of private road transport compared to public transport by New Zealanders. Over 3.5 million light passenger vehicles (light passenger cars and vans) contribute 75% of road travel. Ownership of light vehicles (light passenger vehicles and light goods vehicles) in New Zealand is the highest per capita in the world. The average age of the light fleet is 14.1 years, considerably older than in comparable countries (Canada, Australia and USA). New technologies may assist in addressing the geographic challenges and have the potential to reduce or, perversely, to reinforce New Zealanders’ attachment to private transport options.

There are increasing pressures on the country’s land transport infrastructure, including in the regions, arising from population, tourism and economic growth, with consequential increases in freight. Recent major earthquakes and weather events have highlighted inherent weaknesses in the resilience of that infrastructure and in the robustness of the network and alternate transport options.

Safety has been an important driver for the regulatory model for land transport in New Zealand. But there are challenges under the current regulatory regime to allow for innovative vehicles and transport services, as well as the needs of differently abled drivers and a wide range of highway, urban and rural driving conditions. In addition, some smart technology innovations may be stifled by a preoccupation with risk minimisation.

In New Zealand, funding for land transport services provided by the Government comes primarily from hypothecated taxes. These are collected via fuel excise, road user charges (applied to diesel-powered vehicles only), tolling, motor vehicle registration and licensing fees and management of Crown land. This revenue is supplemented by Crown appropriations from time to time in special cases. With pressure to reduce the use of fossil fuels it is likely that the funding from fuel excise duty and current road user charges will decline. Technological developments provide new options to address the challenges of access pricing and the funding required to build and maintain the infrastructure needed and to ensure equitable access within and across generations.

There will be ongoing public scrutiny of the acquisition and usage of transport corridors, infrastructure investment and asset maintenance, operation of the State highway network, public transport options and the development and enforcement of land transport regulations.

...within this context

This Review has been conducted at a time when there is fundamental transformation underway inside NZTA. It is being reorganised from an organisation that operated largely in functional silos to a value chain organisation. Central to the value chain is a focus on design and delivery of customer service, as distinct from its historical role of delivering products such as road infrastructure, public transport subsidies and regulation with limited understanding as to whether these products individually and collectively met the needs of users.

This is a far-reaching and fundamental transformation both of the agency's objectives and in the way it undertakes its business and processes.

As a consequence, it is difficult to predict the level of success of this transformation at this early stage in the journey. However, there are many attributes about the changes underway that are timely and designed to overcome past organisational weaknesses, including the challenge of meeting customers' ever-increasing demand for efficient transport services, especially in Auckland and in regional centres. There are a number of issues associated with the transformation itself meeting its objectives that are identified later in this report.

The performance challenge and success scenario outlined below are provided in this context.

This Review has been conducted at a time when there is fundamental transformation underway inside NZTA.

Performance Challenge

Performance challenge - outcomes

New Zealanders want an effective, efficient transport system that meets their economic, social-cultural and environmental needs now and adapts to meet changing needs and aspirations; that demands a step change. It means an integrated transport system that:

- provides the platforms and processes enabling New Zealanders to gain equitable access to goods, employment and services
- optimises the potential of all modes
- increases utilisation of the land transport infrastructure for which NZTA is responsible
- is resilient
- is safe for customers to use, delivering them seamless journeys
- takes advantage of technology as it becomes available
- anticipates disruptive change and makes the most of it for the benefit of users of the transport system and New Zealanders.

Performance challenge – agency

In its own four-year excellence horizon developed to support its transformation and to inform this Review, NZTA identified five high-level challenges:

- increasing customer/citizen service expectations
- government expectation that NZTA co-creates wider outcomes with others
- the relative importance of Auckland
- the pace of digital platforms and services becoming available that will improve customer journeys
- responding to significant natural hazard and climate change-related events.

It identified its response to these challenges in three domains:

- a **system response** that delivers one connected transport system
- a **service response** that sees people-centred services
- a **community response** that sees NZTA unlocking social and economic opportunities for customers, businesses and communities through targeted partnerships.

We think NZTA paints a compelling picture for its future. In developing our Four Year Excellence Horizon for NZTA we have focused on five key areas where the agency needs to focus its efforts in order to meet the challenge it has set itself. These areas are:

- the transport strategy system
- transport disruption driven by new mobility options and embedded smart technology
- the transport regulatory system
- organisational transformation
- stakeholder management.

The transport strategy system

NZTA, as part of its current organisational transformation, has developed its Long Term Strategic View. This has a 10-year plus outlook and was developed with some limited input from local government. To be effective this work must iterate with the work of the Ministry of Transport (MoT) as that organisation develops its 'Mezzanine' or medium-term strategy for the New Zealand transport system. NZTA will bring to MoT valuable operational context and MoT should bring to NZTA a broad transport policy perspective, informed by the wider economic, environmental, social and cultural outcomes that the Government is seeking. This will help bring NZTA firmly into the transport system.

Other stakeholders, partners and customers need to be brought into development of NZTA's Long Term Strategic View to ensure that it is both widely informed, widely supported and highly regarded. This will drive a more strategic approach to Regional Land Transport Plans, encouraging the agency to leverage those partnerships and achieve improved asset management, network utilisation and customer service.

Such an interlinking approach to strategy will better inform the Government Policy Statement on Land Transport (GPS), leading to shifts (over time) in the National Land Transport Programme, making it more multi-modal and inclusive of future technology. Even where the GPS is not directing investment in infrastructure for rail, sea, air, self-propelled and '3D-Land' transport, it needs to be intelligent about the intersections between modes to ensure there is an integrated, resilient, customer-focused, multi-modal transport system. New Zealand and users of the transport system need to be able to take full advantage of all modes operating as a system.

The time has come to develop a genuine all-of-transport strategy system across all modes that will shift the focus from simply providing infrastructure to one where transport is a key enabler of New Zealanders' success in their lives, environments and enterprises. As the largest operational agency in the system, NZTA has a key role to play.

Transport disruption driven by new mobility options and embedded smart technology

Transport is undergoing significant disruption, driven by the intersection of three phenomena:

- The first is the new mobile 'hardware' appearing in the system - electric vehicles, autonomous vehicles, drones, platoons¹, and so on.
- The second is the smart technology embedded in everything from new mobile hardware, to the horizontal infrastructure itself, to the devices carried by people journeying on transport networks.
- The third, particularly in urban centres, is a customer-desire shift. Some people are now open to a wider choice of mobility options – and these shared service options are made more visible and attractive now on new technology platforms.

The performance challenge for NZTA in this area lies in three dimensions:

Information systems – NZTA needs to position itself to make use of the datasets it holds. These datasets are currently distributed and separately compiled and NZTA has a challenge to develop an integrated approach to the way in which those datasets are gathered, assembled and stored.

Smart analytics – NZTA needs to up its game in smart analysis of its data. For example, it needs to derive insights about customers' wants and needs from data collected that reveal customer's preferences, needs and behaviours. The challenge here is not just a technical one; it also demands new capability (behavioural economics, market analytics, industrial psychology) and a customer-centric focus.

Technology foresight – NZTA needs to develop further its technology foresighting function. A lot of innovation is happening internationally that New Zealand is well behind on. Much of this is embedded technology (for example, sensor signs, RFID chips) that has the power to change the way in which people use the transport system. Technology also puts power into the customers' hands to demand and select the transport services they need. Smart technology has the potential to enable much better utilisation of the capital-intensive infrastructure already built, freeing up funding to drive much smarter services, at the same time giving customers wider choices of access and service for mobility.

Overall, NZTA needs to improve its capability to take advantage of disruption in transport due to new mobility options and embedded smart technology, driving intelligence out of it and using it for risk management purposes.

¹ 'Platoon' in this context refers to the concept of a number of trucks using smart technology to drive in close formation at a constant speed. There is interest in this overseas, especially for long-haul cross-continental freight journeys, with expected benefits claimed being improved safety, lower overall fuel consumption and more efficient use of roading networks.

The regulatory system

The current regulatory system is exhaustively prescriptive with many rules written into legislation. This means that even developmental changes in regulations may require changes to legislation. This is a significant barrier to achieving a flexible regulatory model that can be adapted in the same timeframes as apply in the present disruptive environment. The cadence between regulatory change and technological innovation is completely out of balance.

To shift the regulatory model is a significant challenge. It will require a change in attitude and skill within the agency and amongst its key policy partners. The current regulatory system, whilst it may be archaic, needs a good shove. As much as can be achieved, within the current legislation, needs to be achieved. There is no incentive to change legislation just to make the work of the agency easier. The need for change must be manifest and the opportunity costs of 'no change' must be exposed.

All of the thinking and analysis driven by the new customer focus of the agency needs to be brought to the table to design a regulatory system that is:

- principles-based
- responsive in the face of ongoing disruption and open to extending the regulatory frame where justified
- multi-modal and focused on journey, not mode

- alive to the need to regulate different things (e.g. for drones enforcing the first 400 feet, or extending regulatory coverage to the first 1000 feet, or how transportation information is gathered and managed).

NZTA cannot do this work alone.

Reflecting the change in its operational model, it needs to do this work with partners, stakeholders and customers. In particular, it will need to be in lockstep with MoT and be supplying data and analysis to support regulatory change.

Organisational transformation

We believe the journey the agency is on, bringing 'service' and 'the customer' to be the central focus, is the right one. Without the changes being driven now in the operating model, the agency will not be able to respond to technology shifts and the accompanying change in demands of customers.

Transformation is a leadership challenge. While NZTA has a well-earned reputation amongst many of its stakeholders as a high-performing organisation with a strong focus on product delivery, over the next four years there are many aspects of NZTA's business that will need to be in much better and different shape, and managed by the new organisation in a better way than has been the case in the past. The size of this transformation challenge is a large one, and to achieve this challenge will require a sustained leadership effort, demanding agility, emotional intelligence and persistence, over the next four years. Board monitoring of progress will be important.

We believe the journey the agency is on, bringing 'service' and 'the customer' to be the central focus, is the right one.

The size of this transformation challenge is a large one, and to achieve this challenge will require a sustained leadership effort, demanding agility, emotional intelligence and persistence, over the next four years.

The agency has core strengths, which it can build on. NZTA needs to identify and nurture these strengths. For example, NZTA's embedded, widely acknowledged capabilities around outcomes-based contracting and alliancing should be taken forward and, as appropriate, adapted for use as NZTA contracts for services to enable and deliver seamless journeys. Such capability will also help it build alliances with the other government transport agencies and its Safer Journey partners.

Another strength that will be fundamental to success is the current pride and enthusiasm of staff for the work of the agency. There is something special and empowering about NZTA's customer-centric focus that should resonate intuitively for staff who are already proud to work for NZTA. Given a behaviour shift and culture change is required, retaining the pride and enthusiasm of staff will be possible if they understand the new purpose and direction and what it means for their role and they are supported to make the journey.

We believe that an 'underpinning' performance challenge for NZTA, as it drives this change, lies in getting its information management systems up to the task. There is no enterprise layer of supporting systems in the agency. Rather, it has a stack of mostly point solutions, acquired over time and largely from a project-driven environment. There has been underinvestment at the corporate level.

The change in operating model means that leaders in the agency have dependencies on each other if they are to deliver on their individual accountabilities. Access to, and transparency in, information systems is critical to support them in this endeavour. There needs to be consistency across the board and common rules and assumptions underpinning everything through all of the corporate functions of the agency.

We say much about NZTA's transformation journey in other parts of this report. The success of this transformation will not be apparent immediately and will likely be one area of focus in the PIF Follow-up Review as it is integral to progress on all other aspects of the performance challenge.

Stakeholder management

A common theme across many of the conversations we had with partners and stakeholders of NZTA was that the agency has become inward-looking of late. There is confusion about the change process itself and concern that interacting with NZTA is becoming more complex, with no clear touchpoint.

Given that much of the message to the agency in this report is about pursuing a genuine multi-modal system, working with partners and stakeholders and being responsive to the needs of customers, it is clear that good stakeholder management is mission critical.

The challenge for the agency is to:

- reconnect with stakeholders and explain to them how they can interact with NZTA going forward
- engage stakeholders in the change the agency is going through, explaining the rationale, the process and the time it will take to bed in the new operating environment
- enlist stakeholders in the journey the agency is on, which after all is about delivering a resilient transport system that serves those stakeholders and their customers. If stakeholders own the need for change, then change will be durable and deliver value.

This means the work ethos of NZTA has to be one in which collaboration, partnership and co-production are the norm. Thinking and acting alone is no longer part of the organisation's DNA.

Implementation

The prescription of the Four Year Excellence Horizon outlined above is demanding. It is a challenge that NZTA is already embracing and is making changes in its operating model to achieve. Underpinning corporate functions, the enablers, are now together. The core functional capability of infrastructure design and delivery remains, but now sits in a value chain of strategy – systems – customer service, alongside policy and planning, investment and finance and customer design and delivery. Areas of new focus have been elevated and made visible in the operating structure:

- Customer experience and behaviour
- Connected journey solutions
- Transport access delivery
- Safety and environment.

This is positioning NZTA to obtain and better use customer insight to co-design solutions that work for customers. To realise its ambitions and meet the Four Year Excellence Horizon, we think NZTA needs to focus on five key action areas:

- Activating medium-term thinking and connecting it to the transport system
- Lifting the game in data acquisition and analysis
- Making regulation relevant and responsive
- Working collaboratively with stakeholders
- Harnessing technology tools to underpin the future transport system, including making a step change in safety.

...activating medium term thinking and connecting it to the transport system

Implementation of a genuine pan-transport strategy system should see a number of actions emerge over the period of the Four Year Excellence Horizon:

- a multi-modal operational approach to the business of NZTA
- increased utilisation of the existing transport network; for example by giving consideration to dynamic pricing systems
- a focus on journey not mode of transport
- considering a shift in the funding model to achieve a dynamic source of funds (for example e-Road User Charge)
- change in the scope of the GPS
- optimisation of the system, by broadening supporting analysis beyond the current heavy reliance on benefit-cost methodologies.

...lifting the game in data acquisition and analysis

Over the period of the Four Year Excellence Horizon NZTA needs to put in place the information systems necessary to support the agency itself (its corporate core), the work it does with others, the regulatory system it operates and the procurement and contracting environment needed to support its core operational activities.

Establishing these systems is necessary, but not sufficient. NZTA will need to lift its capability and its capacity in data analytics and insights. Much of the information available now is not used or not used to its full potential; that is a dividend sitting on the table.

Going forward NZTA will need to think proactively about the information it actually needs, to enable a customer-centric, multi-modal system of transport that enables New Zealanders to achieve in their lives, environments and enterprises.

NZTA will need to use its foresighting capability to be ready to take advantage of increasing embedded technology across the whole transport system. That capability is present in the Connected Journey Solutions Group. The thinking being driven there needs to infuse the whole agency.

...making regulation relevant and responsive

To make progress on a fit-for-purpose regulatory system NZTA needs to focus on building the case for change. This will require it to work with others, critically with MoT, with other regulatory agencies and with all parties subject to regulation.

It will need to build an alternate regulatory system that will be resilient and responsive in the face of change, as well as efficient and easily implemented. This will require a total shift in regulatory capability. The new system may be focused on some completely different things. Not only will stakeholders and customers need to be convinced but also their support for change must be enlisted. Considerable thought will be needed to understand the future data required to support the system. The principles developed to underpin the model must be durable over time and take advantage of the technology sets widely used elsewhere. NZTA will also need to remain alert to weak signals in the system that may require new, and different, regulatory attention.

Practically, NZTA must remain committed to the current framework and innovate to get as much out of the existing system as it is able. The opportunity costs of not changing need to become clear to all.

...working collaboratively with stakeholders

To move NZTA's relationship with stakeholders to be in the collaboration space, the agency will need to reset its relationships in the post-transformation environment. Importantly, it holds the broadest range of relationships for the Government's transport agencies. It must clarify the regional-central dynamic so stakeholders understand how NZTA wants to interact with them and how NZTA intends to continue to foster the strong partnership approach that has been key to its success. The effectiveness of stakeholder engagements will improve as NZTA works to increase, and share, its understanding of customer.

NZTA needs to work closely with MoT to widen interaction with government stakeholders to include agencies driving outcomes for which transport is a key enabler, for example, education, health, welfare.

NZTA will need to develop a level of sophistication in how it manages its relationships with stakeholders, as it may be, simultaneously, funder, regulator, partner and collaborator.

...harnessing technology tools to underpin the future transport system

The disruption and opportunity afforded by new technologies are a recurring theme in this PIF Review. Working with MoT, NZTA will need to make the case for where it invests in technological infrastructure to underpin a step change in safety, regulatory management and new transport delivery options. Case studies about opportunities to deploy new technologies are included in the next section.

What will success look like?

Here we outline some of the shifts that will be visible both within NZTA and more broadly across the transport system, as it meets the performance challenge. This is not a list of things that must be done; rather it is a picture describing the attributes of success that will be visible to all.

A comprehensive transport strategy system will be in place with NZTA playing its role in supporting and continuing to develop it. The GPS will be evolving with the system it drives ensuring an all-of-system multi-modal approach is maintained.

Technologies will be in place that increase the utilisation of current transport assets across all of the modes. The rate of uptake of new technologies that drive efficiencies will have increased. NZTA's focus on the customer journey, combined with technology services to enable customers to search out the most efficient ways to undertake a journey, will be driving this increase in utilisation. Through technological developments informed by its customer insights work, NZTA will have provided improved access to, and utility of, the land transport system for those who are disadvantaged by the current system.

The regulatory system will be more effective and better able to match the pace of change the sector is experiencing. NZTA will, through transparent processes and smart design of the system, have maintained and improved the societal licence for regulation.

New approaches to funding that retain certainty, but that are dynamic and resilient in the face of change, will be under consideration or being trialled.

Large projects will be driven by a wider system context and the place of customer. Procurement will shift to consider the life cycle value of those projects.

The aggregation of data and generation of insight will be coordinated across the value chain of NZTA.

Strong collaboration between NZTA and Auckland Transport will see full integration of transport management across all modes (both private and public) in Auckland, supported by intelligent, embedded data-gathering systems.

NZTA will have deployed enterprise level solutions that support the thinking, running and doing of the agency.

NZTA will be taking a 'best teams' approach in all of its work. It will be highly collaborative, working with other regulators, policy agencies, councils and stakeholders. It will be clear about what role it plays and what role it enables others, in the public and private sectors, to play.

...and the outcomes

Over the next four years and beyond, New Zealand's land transport system increasingly supports:

- **individuals and families** to choose efficient, safe, seamless journeys that provide equitable access to goods, employment and services, so they can make the most out of their lives
- **businesses** to grow faster due to a reliable, connected multi-modal transport system that enables delivery of their goods and services when and where their customers need them
- **New Zealand** to benefit from cost-effective, environmentally sustainable land transport that is adaptive, resilient and increases the utility of the whole transport system.

Dr Paul Reynolds
Lead Reviewer

Dr Keith Turner
Lead Reviewer



Courtesy of New Zealand Transport Agency

Case study: Increasing the technology toolkit for a significant step-up in safety

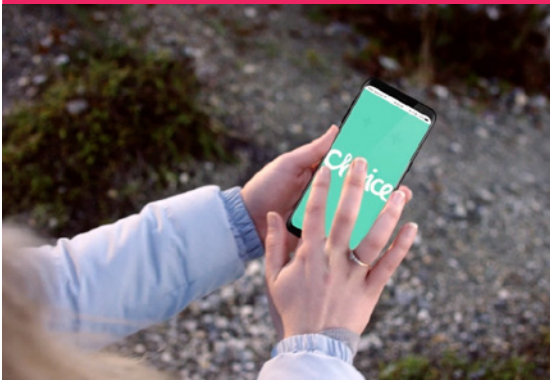
New Zealanders have become acutely aware of the upward trend in road deaths per annum and successive governments have explored all possible options for increasing road safety within current legislative bounds. There have been many improvements in road design, signage, speed limits, vehicle standards, driver licensing, campaigns to raise awareness of drivers, passengers, cyclists and bystanders, and much more.

The current focus on behavioural influence is generating diminishing returns and both NZTA and NZ Police need an increased 'toolkit', enabling them to utilise modern technology options. Private firms, such as freight, courier and motorhome rental companies, have already deployed many innovative technologies to support safer driving. To regulate and deploy such tools on a nationwide basis would require significant change in broader policy settings (to enable new approaches to improving safety outcomes) and a whole-of-government effort.

The performance challenge for NZTA, if achieved, could enable a step change in improving road safety. A transport strategy system that is multi-modal and inclusive of technology, uses sound data and smart analytics and operates in a principles-based regulatory system could envisage strategies to:

- progressively reduce the average age of the New Zealand vehicle fleet, in favour of more modern vehicles with the latest safety features, powered by 'green' fuels and with embedded technology to reduce the incidence and severity of crashes
- enable real time speed management through sensory speed controls that adjust to suit traffic and environmental conditions
- increase the number of 'professional' drivers for each journey undertaken – public transport, Mobility as a Service (see next case study), ride-sharing and connected journeys
- use information (as well as pricing) to improve utilisation of transport infrastructure.

A transport agency that is customer-focused, collaborative, with strong, trusted stakeholder relationships, working within the transport strategy system described above, would have increased support and new tools to make 'zero harm' a credible new goal.



Courtesy of New Zealand Transport Agency

Case study: Mobility as a service

Transport is undergoing a revolution. Technology is disrupting what transport is and how it is regulated and managed. Technology is also changing users' expectations of what a modern, efficient transport network looks like. The intersection of technology and transport is enabling new services and players in the market and a stronger focus on delivering value to the customer. NZTA has an opportunity to embrace these changes to deliver transport outcomes that meet the needs of its customers and to design, build and maintain a transport network that is connected, safe and efficient.

One example is the use of real-time, open data in transport. *Mobility as a Service* is a concept being experimented with and developed, internationally, that puts real-time information about transport providers in one place, online. Using *Mobility as a Service*, customers can see in real-time, all the options for completing their journey, select the options that best suit them, book their travel and track their trip - all on their mobile device.

NZTA has taken the lead on developing *Mobility as a Service* in New Zealand. The newly established Connected Journey Solutions business group has brought together transport providers in Queenstown, and in Auckland, to launch the first two *Mobility as a Service* Apps in New Zealand. These free, open mobility marketplaces allow customers and transport providers to connect online. They are underpinned by a national real-time digital platform.

The first pilot was delivered in partnership with Otago Regional Council and Queenstown Lakes District Council. The launch of the app, Choice, coincided with the 2017 ski season. Queenstown was chosen for the first pilot as it is an ideal learning location, it experiences high traffic volumes during the winter for tourism activities and it has a closed transport system, with limited operators and transport options.

NZTA chose travel to and from the Auckland International Airport as a second pilot. At the time of the Review, NZTA was planning, with Auckland Transport and Auckland International Airport, to launch Ridemate to coincide with the 2017/18 summer holiday season.

Other examples of *Mobility as a Service* exist offshore (most notably in Finland). However, they often feature either a customer subscription or other payment model that immediately presents barriers for lower socio-economic groups and reduces the public good aspect of the online transport marketplace. Some similar services feature a preferred transport supplier model that reduces the competition for, and number of options available to, customers.

The New Zealand pilots are still in trial and test mode and as a result have not yet been evaluated. However, a unique feature of the pilots is that they offer an entirely open mobility marketplace. There are no subscription or entry fees for customers; customers need an electronic device to access the marketplace. All transport providers are welcome to participate, also with no entry fees, as long as they are compliant with transport laws and regulations. NZTA has a plan to add a payment platform.

Mature Mobility Marketplace

One of the foundational drivers for, and outcomes of, an online Mobility Marketplace is to improve the timeliness, completeness and accessibility of information about transport options and to reveal opportunities to improve available options, congestion management and services for vulnerable populations.

A responsive, multi-modal, real-time mobility marketplace:

- allows customers to make more informed choices about how and when they travel
- encourages the use of public and ride-share modes of transport and assists in completing the first and last leg of a customer's public transport journey
- supports customers to integrate their use of existing public transport services with more active forms of transport, such as walking and cycling
- increases the utilisation of existing assets and allows better targeting of new public and private investment in physical infrastructure and new transport services
- makes it possible to enable equitable access for customers to the full range of current and new transport services
- improves the resilience and effectiveness of New Zealand's transport system.

3

Strengths and Opportunities

This PIF Review was undertaken in October 2017. The ratings and commentary in the following sections reflect the Lead Reviewers' findings at that time.

In this section:





Overview

Strengths and opportunities in detail













Overview

The Four Year Excellence Horizon in this report sets out NZTA's performance challenge for the future. These ratings indicate the agency's current preparedness to meet that future challenge.

Delivering Government Priorities

	Rating
Government Policy Statement on Land Transport	
Better Public Services	
Regional Growth Programme	
Safer Journeys	

Delivering Core Business

	Rating (Value to customers & New Zealanders)	Rating (Increased value over time)
Planning the land transport system		
Investing in land transport		
Maintaining and improving the State highway network		
Providing access to, and use of, the land transport system		
Operating the State highway network		
Regulatory management		



Strong



Well-placed



Needing
development



Weak



Not able
to rate

The ratings' descriptions can be found in the appendices.

Organisational Management



Leadership and Direction

Rating

Purpose, Vision and Strategy



Leadership and Governance



Values, Behaviour and Culture



Review



Delivery for Customers and New Zealanders

Customers



Operating Model



Collaboration and Partnerships



Experiences of the Public



Relationships

Engagement with Ministers



Sector Contribution



People Development

Leadership and Workforce Development



Management of People Performance



Engagement with Staff



Financial and Resource Management

Asset Management



Information Management



Financial Management



Risk Management



Strong



Well-placed



Needing development



Weak



Not able to rate

The ratings descriptions can be found in the appendices.

Strengths and opportunities in detail

The performance story so far

A PIF Review of NZTA was undertaken in 2010, one of the first reviews to be conducted. At that time NZTA had been in existence for only two years, following the merger of Land Transport NZ (comprising Transfund NZ and the Land Transport Safety Authority) and Transit NZ. The Review commented positively on the agency's achievements, recognising the challenges of bringing several agencies into one. It also identified a number of areas for improvement: clarifying the roles and accountabilities in the national/regional planning interface and between national and regional offices; strengthening long-term planning for transport network development; achieving closer alignment of strategy and action and replacing several core information technology systems. The agency also needed to more broadly embrace the use of technology for analytics in road safety.

In 2011, NZTA commissioned a PIF Follow-up Review, which identified good progress since 2010, particularly in the areas of organisational alignment, joined-up planning and delivery with transport sector stakeholders, value for money in service delivery and improved customer orientation particularly for licensing services and State highway travellers. As a result of the PIF Follow-up Review, NZTA identified it would focus on:

- maturing its funding and revenue approach
- continuing the pursuit of excellence in delivering a safer transport system
- working with MoT to ensure better regulatory solutions
- continuing to improve relationships with local authority transport partners
- being results orientated
- developing the agency's long-term capability, business planning and staff engagement
- implementing an enterprise resources planning system, covering financial, project and programme management functions.

The Board appointed the current Chief Executive, Fergus Gammie, with effect from March 2016. During the 2016/2017 financial year, the Chief Executive commissioned a PIF Self-review and instigated a project to design and implement a new operating model for NZTA as part of a wider transformation for the agency. A new corporate structure was put in place from July 2017.

Delivering Government Priorities

This section focuses on NZTA's response to, and delivery on, the Government's priorities for the agency. While the Lead Reviewers consider past and current performance, their findings and ratings take into account the scope and scale of the challenge to deliver on the Government's priorities over the next four years.

The Review was planned in the September quarter and conducted in early October 2017. These Government Priorities reflect the priorities of the previous Government. The Labour-led coalition Government will set its priorities for NZTA in 2018. The future focus statement at the end of this section refers to the primary challenge for NZTA in responding to this Government's priorities.

Government Priority 1: Government Policy Statement on Land Transport

Rating



The Government's Policy Statement on Land Transport (GPS) sets out the Government's priorities for expenditure from the National Land Transport Fund over the next 10 years. The GPS is updated on a triennial basis and as new government priorities for land transport arise. NZTA responds to the GPS by developing the National Land Transport Programme (NLTP), setting out national and regional issues, priorities and proposed investment activities over a three-year period. Delivery of the NLTP is a substantial part of the core business of NZTA and this is commented on in the Core Business Areas in the next section of this report.

NZTA has a robust framework and processes to ensure the NLTP gives effect to the GPS, for example:

- Investment Assessment Framework: ensures investment is prioritised to deliver the best contribution to the Government's priorities as identified in the GPS and the best value for money. This framework can be amended as the Government's priorities change.

- One Network Road Classification: provides national standards for road activity management and aims to ensure consistency across New Zealand in the quality of services and roads with a similar user profile.
- A business case approach to budget bids for the NLTP is facilitated by the One Network Road Classification.

Kaikōura Earthquake Response

NZTA's core strengths have enabled it to respond well to new priorities such as the challenging project to restore land transport infrastructure in Canterbury after earthquakes and adverse weather events in November 2016. The GPS was updated in February 2017, in part to reflect the previous government's expectation that affected communities would have road and rail links reconnected by the end of 2017² as the start of a substantial new work programme to fully restore the infrastructure. NZTA redeployed resources to tackle this work and achieved initial targets, working with the community and transport system partners, to provide alternate routes and restore access to local communities.



Kaikōura
Courtesy of New Zealand Transport Agency

NZTA's core strengths have enabled it to respond well to new priorities such as the challenging project to restore land transport infrastructure in Canterbury after earthquakes and adverse weather events in November 2016.

2 The reconnection of both the rail line and State Highway 1 was achieved late in 2017, with some restrictions on usage as further restoration continues.

Government Priority 2: Better Public Services

Rating



Result 9: Better for Business

NZTA is one of ten government agencies working on Better Public Services Result 9 to make it easier for business customers to deal with government. NZTA's contribution to this target is the Small Passenger Services Reform Project, which followed a review by MoT in 2015 of the small passenger services regulatory environment. The project required legislative amendment and changes to regulatory rules to enable NZTA to simplify and modernise the regulations for a range of small passenger services. The new passenger service rules enable the sector to operate on an equal footing, reduce compliance costs, provide services that respond to customer demand and allow innovation while ensuring the safety of the services. It is too early to judge the effectiveness of the changes, as the rules came into effect at the time of the Review.³

Result 10: New Zealanders can complete their transactions with government easily in a digital environment

NZTA's contribution to the Result 10 target has been to increase the number of vehicle licences that are paid for online, with a substantial improvement from 32.8% paid online in the last quarter of 2015 to 42% in the June quarter in 2017. In 2017, 88% of customers in a Research New Zealand survey stated it requires little effort to relicence their motor vehicle.

NZTA has also started work to recognise the New Zealand Business Number, which will reduce compliance costs/effort for businesses interacting with NZTA's regulatory services.

There are mixed views within the Ministry about what it can contribute, and what role, if any, transport policy has to play in supporting regional development. As a result the Ministry has adapted a passive 'hands-off' approach to the issue and is not really doing anything.

Government Priority 3: Regional Growth Programme

Rating



Through the Regional Growth Programme the previous National-led Government partnered with a number of regions to identify potential growth opportunities and help increase jobs, income and investment in regional New Zealand. Transport infrastructure development is one of the key enablers for regional growth and through the Regional Growth Programme NZTA contributed investigations of transport infrastructure options and plans to the regional economic development plans, including for Northland and Tairāwhiti.

More broadly, NZTA's Long Term Strategic View considers the opportunities for transport to support and enable economic growth and productivity in these regions. The Long Term Strategic View has also identified inter-regional journeys connecting regions that sustain the New Zealand economy, linking major urban centres and production areas to international ports and other gateways.

The NLTP includes the roading infrastructure and public transport projects that have been assessed as priorities to support regional priorities and plans for growth. This is covered in the Core Business Areas.



Courtesy of New Zealand Transport Agency

³ The agency has a pipeline of initiatives that will improve the government-customer interface for businesses and individuals ranging from refunds (e.g. Fuel Excise Duty) online, online licence replacement when a licence is lost or stolen (December 2017) to putting licence renewals online in May 2018, with wider licensing services and information online mid 2018 assuming current policy reform proposals are confirmed.

Government Priority 4: Safer Journeys

Rating



Road safety is a high-priority issue, not just for NZTA, but across many government agencies, e.g. MoT, New Zealand Police, Accident Compensation Corporation (ACC), the Treasury, Ministry of Business, Innovation and Employment and Ministry of Health, to name a few.

Road safety imposes significant costs on the country in many different ways, including, NZTA's funding for road policing of approximately \$350 million per annum, insurance against motor vehicle accident by ACC, and the extra load on the health system and on emergency services. Importantly, there is the economic and social impact of road deaths on affected families and employees.

The previous Government's strategy, Safer Journeys, has been in place since 2010. NZTA's contribution to the Safer Journeys Action Plan 2016 – 2020 includes enabling safer roads and roadsides and it has made significant progress identifying high risk intersections and corridors and implementing innovative, low cost treatments, such as wide centre lines. As well, NZTA provides funding through the National Land Transport Fund for road policing, manages the national speed management guide and rule, the Urban Cycleway Programme, the Community Road Safety Fund and a prioritised list of State highway improvements. As part of its commitment to Safer Journeys, NZTA delivers initiatives to improve outcomes for young drivers, visiting drivers, impaired drivers, cyclists and motorcyclists. Recent road trauma results point to the continued need for interventions targeted to risk and the need to scale-up proven interventions.

Key system performance metrics are:

- Current fatality level is the highest since 2010 at 7.9 per 100,000 population. Australia's is at 5.0 per 100,000.

- All casualty measures are trending upwards (including hospitalisations and ACC claims).
- Fatalities and serious injuries are increasing at a faster rate than can be explained by simple traffic or population growth (e.g. Vehicle Kilometres Travelled is up 9%, Death and Serious Injuries casualties (DSIs) are up 34%).

One example of NZTA's programmes that lead to safer outcomes is as the lead for Action 3 (Ensure roads and roadsides support safer travel) in the 2016 – 2020 Safer Journeys Action Plan, which includes: being part way through a six year \$600 million Safe Roads Programme which is expected to save 900 DSIs over ten years, and developing an \$800 million local roads programme to target high-risk local roads and intersections estimated to save (cumulatively) 1,100-1,300 DSIs over ten years.

NZTA has a positive record in reducing land transport trauma. In light of the road trauma numbers, it wants to do better, and a new directorate, Safety and Environment,

has been established as part of the transformation. Also, one of the eight Focus Areas for NZTA is 'Keep People Safe'. It is too soon to expect to see any effects of these changes.

As indicated in the case study in the Four-year Excellence Horizon, there are opportunities in the right regulatory environment to tackle the issue of road safety, using technology. In New Zealand some campervan hire companies and trucking firms already have technology installed in their vehicles to be able to monitor driver and vehicle performance, some vehicles have advanced electronics to monitor and correct for driver error, such as travelling too close to the car in front. As a nation, we have the opportunity to embrace technology for wider societal good and to make a dramatic downwards impact on road deaths and injuries. This would be a brand new 'toolkit' for NZTA.



Courtesy of New Zealand Transport Agency

Future focus for: Government Priorities

The commentary and ratings on all these priorities reflect that NZTA demonstrated it has responded well to the previous Government's priorities and was planning ahead as to how it would change, adapt and lift its capacity to respond to new priorities, driven by technological and societal change and by the priorities of an in-coming Government.

It is clear that the current Government will have a strong focus on a multi-modal transport system that delivers for all New Zealanders. NZTA is well-positioned to meet this expectation but will require strong resolve to complete its internal transformation, while stepping up as a genuine system player to deliver on this Government's priorities. To do so, it will need to work interactively with MoT, under MoT's leadership, and with other parts of the transport eco-system to give best advice to the Government on how it can achieve its priorities. This will be a big test of the new 'value chain' operating model.

The commentary and ratings on all these priorities reflect that NZTA demonstrated it has responded well to the previous Government's priorities and was planning ahead as to how it would change, adapt and lift its capacity to respond to new priorities

Delivering Core Business

This section focuses on how well NZTA delivers value to customers and New Zealanders and how well NZTA has positioned its services to deliver increased value over time. While the Lead Reviewers consider past and current performance, their findings and ratings take into account the scope and scale of the challenge to improve the value delivered over the next four years.

Introductory comments

To deliver its core business, NZTA needs to provide effective stewardship and services around its core assets, investment processes and regulatory systems. It must have plans in place to keep improving and to deliver more value to customers.

NZTA has three high-level core business areas, with specific main functions within each of these:

- Planning the system (planning function)
- Delivering system platforms (investment function, maintaining and improving the State highway network function)
- Operating system services (regulatory services function, operating the State highway network function).

To provide increasing value over time in its core business, NZTA has recognised that to meet customers' increasing expectations of service will require greater integration of its core functions, alongside more co-creation with both current and new investment and delivery partners. NZTA has identified and is implementing a target operating model that will require the agency to think of its core business as a customer value chain, rather than as a set of related but discreet functions.

Core Business 1: Planning the land transport system

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



Within the confines of the current planning, prioritising and funding system, NZTA plays its part effectively. That is, it provides input into and receives the GPS from the Minister, reflects those investment priorities in its spending through the NLTP and aligns part of that plan, through the regional land transport planning process, to ensuring maintenance of the road transport network. NZTA has effective, if somewhat laborious, processes to capture the hypothecated funding to support these activities through petrol excise and the Road User Charges system.

Through its organisational transformation programme, the agency has developed its Long Term Strategic View. It has created an internal dynamic, with its new operating model and organisational structure, which demands more voices and perspectives at the table. As a result, it is now potentially able to bring a strategic lens to all of its planning work. However, it is still early days for this. NZTA needs to cast its net wider for external perspectives on the Long Term Strategic View as it is further developed and to secure wide buy-in from stakeholders. The Long Term Strategic View needs to sit in the context of a multi-modal integrated transport system in which the outcomes driven are clearly articulated.

To be fair to NZTA, this also needs MoT to play its role. NZTA and MoT need to be co-producers in this exercise. They need each other to be effective. This is especially so when considering the technological innovation and disruption underway for transport and the consequent shifts that will have to occur in funding and regulatory mechanisms alike.

To provide increasing value over time, NZTA needs to be an effective system planner and investor. This will happen when NZTA has been able to align its planning and delivery with central and local government partners and has integrated all of its functions into a full multi-modal system outlook that informs how it plans, invests and delivers.



Courtesy of New Zealand Transport Agency

Future focus for: Planning the land transport system

Opportunities:

- Developing new relationships with its key strategic partners (MoT, councils and iwi), to develop a coherent strategy frame to ensure optimum operation of Regional Land Transport Plans, the NLTP and the GPS
- Using its new focus areas to bring more perspectives into the formulation of strategy that drives planning
- Driving the cultural change in the organisation and building the new capability that is necessary to put customer at the heart of strategy and not just pay lip service to it.

Core Business 2: Investing in land transport

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



NZTA has a good track record of successful investment prioritisation, at the individual project or programme level, to give effect to the GPS, having set clear national policy for planning and investing in new land transport infrastructure and road maintenance. The One Network Road Classification, based on customer levels of service supported by technical measures, is a key initiative to support value-for-money investment. This was developed through the Roding Efficiency Group, a collaborative project between local government and NZTA.

The agency has introduced various mechanisms to assist in these investment processes. For example, the Investment Assessment Framework, Funding Assistance Rates, the One Network Road Classification and the Business Case Approach. A full suite of prioritisation and diagnostic tools are in place (such as the Economic Evaluation Manual, which sets out procedures and values for identifying costs and benefits for applications seeking NLTF investment) and there is a commitment to improving understanding and application of economic evaluation tools.

The core benefit cost appraisal methodology works well at a project level, but it has serious limitations when taking into account wider network and system effects and when trying to include social and environmental drivers and effects.

However, much more is now asked of the investment system. The value proposition for investments is wider than a transport-centric, economic outcome. Multi-modal understanding and the way in which modes interact needs to be more consistently included in the analysis. In an operating environment suffering

significant disruption, the opportunity costs around innovation and system resilience need consideration, as do the environmental and social benefit/cost of proposed investment options.

The agency is already aware of this challenge and is taking steps to meet it. For example, through the current transformation programme, it has developed the Long Term Strategic View. It has also been involved regionally in planning processes such as Auckland Transport Alignment Project and Lets Get Wellington Moving, in the latter case having taken lessons from the Basin Reserve flyover project.

In terms of its investment management, there is an opportunity for improved programme oversight of NZTA's roading infrastructure projects and the associated capital expenditure. See also the Organisational Management section: *Asset Management* for comments on other areas of improvement to lift NZTA's Investor Confidence Rating.

NZTA also co-invests with local government entities, in accordance with agreed priorities in their land transport activities for local road maintenance and improvements and public transport. Necessarily, councils are involved and there can be some tensions, given that NZTA contributes about 53% towards the costs; the remainder must come from local government (rates, debt, developer contributions and other sources). More work needs to be done for councils to gain a shared understanding with NZTA as to the standard to which an asset is to be maintained or publicly funded transport services are offered. It seems likely that councils in different parts of the country have quite different views as to what a fit-for-purpose road or subsidised transport service looks like. For its part, NZTA probably needs to ascribe more value to what councils tell it about local impacts on the durability of roads, local patterns of use and weather and alternative transport routes or services.



Courtesy of New Zealand Transport Agency

For local government, funding long-term infrastructure, such as roads, is a significant and strategic challenge, regardless of whether the area is experiencing significant growth or has a small population and/or social and economic challenges.

To provide increasing value over time, NZTA needs to develop the capacity and capability to ensure that its investment policy and practice applies a systems view to meet both the growth and affordability challenges it faces. Affordability is one of the key challenges faced by both local authorities and NZTA. The focus of investment policies, processes, practices, staff culture and behaviour will need to be on delivering customer-centred, system-focused, technology-enabled solutions that are socially equitable. This means also that a full multi-modal transport system outlook informs investment decision-making.

Future focus for: Investing in land transport

Opportunities:

- Developing the value proposition for capital investments to encompass a wider set of environmental and social benefits and costs
- Determining in a multi-modal system how to identify 'best' investments and priorities
- Rebooting the data management systems underpinning investment processes to increase efficiency and improve robustness of the system
- Implementing robust programme management and oversight of significant capital expenditure.



Courtesy of New Zealand Transport Agency

Core Business 3: Maintaining and improving the State highway network

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



Maintaining and improving the State highway network is at the very heart of the core business of the agency. Over recent years it has scaled up rapidly to deliver huge programmes of work, be it the Roads of National Significance or responses to natural events, with the current projects around Kaikōura being the standout example of this. Typically, it has delivered these large and complex engineering solutions early and under budget.

Several years ago, NZTA took steps to improve whole-of-life value-for-money for road maintenance, working in partnership with local government. NZTA's road maintenance activities are managed through locally based Network Outcome Contracts that have the potential to realise value over the lifetime of a road asset. One of the challenges to be managed is that the

usage of specific roads can change markedly, as has occurred with the growth in population, in tourism including self-drive tourism, logging and dairying in various regions.

NZTA has mature procurement processes that are widely held up in government as best practice.

To provide increasing value over time, NZTA needs to bring much more integrated, strategy-led thinking and processes to its large programmes of work. To be system- and multi-modal- led it will no longer be appropriate to internalise all thinking and doing within single programmes of work. Indeed, there are big risks in doing this, such as have occurred previously where major roading projects have not necessarily taken account of impacts of the specific build elsewhere in the transport system or where technology solutions have been specified and

selected within projects without regard to the overall system and any overarching information technology standards and strategy for NZTA.

Future focus for: Maintaining and improving the State highway network

Opportunities:

- Using the big challenges over the next four years, particularly those presented by Auckland's rapid growth, to drive NZTA's deliberate strategy to think systems, people and partnerships
- Stepping up to the expectations of wider government that NZTA consider its contribution to economic, social and environment outcomes and develops a full system outlook to inform its operational decision-making.



Courtesy of New Zealand Transport Agency

To provide increasing value over time, NZTA needs to bring much more integrated, strategy-led thinking and processes to its large programmes of work. To be system- and multi-modal- led it will no longer be appropriate to internalise all thinking and doing within single programmes of work.

Core Business 4: Providing access to, and use of, the land transport system

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



In the recent changes in organisational arrangements, the function of transport access delivery has been separated out, alongside customer experience and behaviour, connected journey solutions and safety and environment, to lift the profile of regulatory practice and drive the focus to customer, i.e. those who use the transport networks engineered and maintained through NZTA.

Driver licensing, vehicle testing, vehicle certification and rail safety regulations are at the heart of this part of the business. Much of this core business can contribute to the Safer Journey's Strategy (a government priority) and Results 9 and 10 of Better Public Services.

NZTA does well in actual delivery in this core business area for the majority of customers. It manages the significant scale of public transactions created by the vehicle and people registers, of which it is steward, together with revenue management functions. On-line motor vehicle registrations are a good example of success and of future opportunity.

For some customers, the access rules, costs and processes are barriers to access to the transport system, reducing their access to suitable work and public services, such as health and education or leading to illegal behaviour – driving without a licence or in an unsafe or unregistered vehicle. NZTA is aware of this issue. It maintains a Community at Risk register based on data in the National Crash Analysis System Database, which allows the agency to target investment through the NLTP to improve access to programmes, such as advertising, safety education, workshops and driver licensing courses.

Some of the access work (for example, warrant of fitness checks and issuing driver licences) is outsourced to third party providers, so the agency needs to be skilled in building partnerships with contracted providers and monitoring the adequacy of the services delivered. See *Regulatory Management* in this section for more details.

Significant roadblocks hinder this part of the business reaching its potential. The legislative environment is prescriptive and stops NZTA from delivering services digitally. Some current business processes and rules stop the agency from accessing off-the-shelf applications that would allow it to reduce operating costs and deliver simple, easy-to-change services that evolve to meet customers changing needs.

There are also issues with the agency's underlying systems (see the Organisational Management section: *Information Management*) that prevent the automation of data extraction to enable efficient business activities and cross-government interaction.

To provide increasing value over time NZTA needs to provide access to transport services through technology platforms that can respond more easily to changes over time and also enable integrated access to other government services.

Future focus for: Providing access to & use of the land transport system

Opportunities:

- Becoming a strategic partner to MoT, indicating where the regulatory risks lie and where the opportunities are for improvement (for example in digital service delivery) and working with MoT to build the case for change
- Building the underlying data management and operational systems to support customer-focused solution development.

Core Business 5: Operating the State highway network

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



NZTA operates, in a joint venture arrangement with Auckland Transport, the Auckland Transport Operations Centre (ATOC). The ATOC team, comprised of staff from both organisations, has formed as a 'best team' and works seamlessly to manage traffic flows, not just in Auckland City but also from Cape Reinga to Lake Taupo. There is a good relationship with police, fire and ambulance services. NZ Police has a co-located representative in ATOC. This is an excellent example of NZTA working collaboratively in a co-production environment.

There are two other such centres (albeit on a smaller scale) in Wellington and Christchurch.

At present, ATOC manages the State highway and local road network in Auckland city. In a separate operations centre, Auckland Transport manages bus, rail and ferry services as well as special events. Bringing this operation and ATOC together is the big prize, delivering a true, multi-modal, across-city management system that will support the connected journey solutions aspiration of NZTA. The big challenge will be future-proofing and advancing the technology to modern digital standards with provision for artificial intelligence.

Other regional centres need to be brought into this system (for example, Whangārei, Hamilton and Tauranga) and the number of control centres rationalised.

To deliver increasing value over time, on a road network that will soon be used and managed completely differently, NZTA will need to collaborate more with a wider range of partners and service providers to deliver the experiences customers want and need. Its understanding of that need should enable it to anticipate opportunities for better services and to operate as a system player across transport modes.

The agency's new operating model, once embedded, is likely to better support this wider collaboration across transport modes.

The operating model has separated out customer operations from managing infrastructure platforms to support a stronger focus on services and on optimising performance. The new leadership structure has created a single national accountability for journey management and system optimisation.

Future focus for: Operating the State highway network

Opportunities:

- Moving the highway management system to a more predictive, data-rich orientation where, rather than using video monitoring to locate problems and fix them after the event, it is able to proactively manage the system to prevent incidents occurring
- Using funding policies to drive amalgamations of operating centres and the integration of other regional transport systems into the overall road management system.



Courtesy of New Zealand Transport Agency

To deliver increasing value over time, on a road network that will soon be used and managed completely differently, NZTA will need to collaborate more with a wider range of partners and service providers to deliver the experiences customers want and need.

Core Business 6: Regulatory management

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



MoT is the steward for the transport regulatory regimes, with NZTA being the primary agency responsible for delivering quality regulatory services for land transport – covering driver and vehicle licensing and areas such as setting speed limits and rail safety regulations.

Many of the regulatory services delivered by NZTA are designed in a rules-based regulatory system, where complex and detailed rules determine the regulatory outputs of NZTA. This rules-based approach is highly prescriptive and unable to adapt proactively to a rapidly changing technological world. For example, a driver must appear at a counter (for an eyesight test) to renew their driver licence when that is not necessary for renewal of a passport⁴. Overseas there are a wide range of technologies already being deployed or have been deployed to enable a far more principles-based regulatory regime to support delivery functions performed by NZTA and a much richer suite of customer services.



Courtesy of New Zealand Transport Agency

Some of the delivery of regulatory services is outsourced to business partners with, in some cases, substantial investment in specialist systems or reliant on trained staff to ensure compliance with the current prescriptive rules.

As part of its transformation programme, NZTA has created a Transport Access Delivery group (see Core Business: *Providing access to, and use of, the land transport system* above for comment on the delivery of regulatory services). The purpose of this is to make the regulatory responsibilities of the agency more visible and to create a centre of excellence for this key responsibility.

This is timely given some recent issues with the integrity of the driver licensing system and the challenges of delivering smart, robust services that meet customers' needs and enable innovation while maintaining the safety and integrity of transport services.

A shift to a principles-based regulatory environment would be far-reaching and require considerable research and policy development. NZTA needs to work interactively with MoT, which has the regulatory stewardship lead, to ensure its operational experience and data, and the experience of its business partners and end customers, inform improvements in the regulatory regime. NZTA is much better placed than MoT to identify 'weak signals' in its customer interactions, regulatory data and assurance programme that may indicate emerging trends and issues.

Hitherto this has been a relatively passive relationship with NZTA being 'provided the operating context'.

As we have described earlier, in a rapidly changing operating and technology environment, NZTA needs to co-produce with MoT to ensure that the current, rather cumbersome and static regulatory system becomes outcomes-based, resilient and adaptive and supports innovation in customer service.

NZTA recognises the challenges it faces and is already working to develop compliance and regulatory strategies. It is designing an ongoing regulatory assurance programme focused on ensuring the end-to-end systems are fit for purpose and deliver value for money. This means seeing regulatory systems in totality, not as specific separate elements. To do this will require new capability and significant culture change, as described in the Organisational Management section.

To deliver increasing value over time, NZTA needs to lift its investment in the regulatory area, in its business partnerships, the process functions and, more importantly, in the operational planning and intelligence area. This is because, in the emerging, highly disrupted environment, regulatory frameworks and procedures will need to be resilient and responsive.

Future focus for: Regulatory management

Opportunities:

- Working seamlessly with MoT to review the regulatory regimes
- Developing a robust, end-to-end intervention logic for regulatory services to ensure balance between integrity, accessibility and customer value.

4 In December 2017, NZTA introduced an online facility to replace a lost or stolen driver licence and is working on improving the processes to apply for renewal of a driver licence.

Organisational Management

This section focuses on how well NZTA is positioned to deliver now and in the future. The Lead Reviewers look at current organisational capability and performance and consider how NZTA ensures it is fit for the future. Their findings and ratings take into account the scope and scale of the performance improvement challenge.



Leadership and Direction

Rating

Purpose, Vision and Strategy

- How well do the staff and stakeholders understand the agency's purpose, vision and strategy?
- How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?



Leadership and Governance

- How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?
- How effectively does the board lead the Crown entity? (For Crown entities only)



Values, Behaviour and Culture

- How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?



Review

- How well does the agency encourage and use evaluative activity?



Purpose, vision and strategy

NZTA could best be described as being in a 'learning and redesigning' mode. The transformation journey it is on is strategy-driven, but the strategy is new and not all of the supporting architecture is yet in place. It has developed a statement describing the value it delivers to stakeholders, customers and citizens, to stand as its purpose and vision. This is designed to drive a focus on how transport, as an enabler, improves the lives, environments and enterprises of New Zealanders.

The Long Term Strategic View, developed as part of the transformation programme, is providing a base to drive the analytics that must underpin the array of instruments driving funding allocations across the land transport system; in particular the NLTP. NZTA worked with local authorities to develop the Long Term Strategic View, but it still needs to get buy-in across the sector. Critically, the Agency needs to work with:

- MoT, to ensure that the Long Term Strategic View informs the GPS and that MoT's longer-term thinking provides context for the Long Term Strategic View

- councils, to ensure that regional planning processes benefit from understanding the longer term land transport planning horizon
- iwi as a strategic planner. Currently, iwi partnerships and issues are just not at the table.

For the staff inside NZTA, this new strategy-informed environment needs to be relevant to them. A strategy frame is in place that will help. Its focus areas will drive the work of the organisation, providing the all-important line of sight from what individuals do in their work to the outcomes sought for the transport sector. The enormity of this task cannot be underestimated.

Leadership

As part of the transformation process, there is a new Senior Leadership Team (SLT) in place, with responsibilities reassigned across SLT to drive a value chain of strategy – systems – customer service (see operating model discussion below). The team is bigger, with leadership of critical parts of the strategic work programme brought to the top table. These are:

- Customer experience and behaviour
- Connected journey solutions
- Transport access delivery
- Safety and environment.

Four regional relationship directors also sit in SLT. This is a large group, further complicated by the fact that the directors do not attend all meetings. Much of the strategic leadership work is done by the Executive Leadership Team subset of SLT, consisting of seven general managers and the Strategic Advisor. Excellent and transparent communication between these different subsets will be essential to ensure there is consistent, joined-up messaging to the whole agency.

SLT strongly owns the strategy frame and its supporting operating model. There is a shared commitment to the eight focus areas that drive the work of NZTA and to the collaborative work ethos essential to delivery of the work programme. SLT members are representing all of this to the agency using a wide range of channels, some of them (e.g. internal Facebook page) are quite innovative.

The first business plan, driven by the new strategy frame and organised around the focus areas, is in place. The document is clearly a work-in-progress, but is a significant shift in the way the agency sees its work and proposes to manage its priorities and resource allocations.

The people leadership challenge is large and will require concerted effort from all SLT and its direct reports to embed the transformation through the agency. This a multi-year effort and requires personal demonstration of the changed approach by all SLT members.

There has been consistent commentary from external stakeholders and partners that the leadership team has been somewhat internally focused over the last nine months or so. There is a strong appetite to engage with the senior leadership to understand the rationale for the transformation and to get clarity about implementation of the new operating model and what it will mean for the stakeholders and their customers.

Governance

NZTA has a strong Board, with a range of relevant, complementary experience and with fresh perspectives from new members. The Board is fully supportive of the Chief Executive's direction and the purpose, vision and strategy, seeing this as the next stage of progression for the agency. It is well aware of the scale of change underway within the agency and of the pace of change in technology and in the wider environment and the importance of a multi-modal approach for New Zealand's transport system. The Board is overseeing the transformation, and ready to hold the executive to account.

Values, behaviour and culture

The agency sees that culture underpins its strategy and everything it does. It describes its culture as its 'DNA', the values and behaviours needed to deliver the strategy. The DNA attributes are:

- Customer focus to deliver value
- Collaborate to achieve as one
- Curious to cultivate innovation.

This is a big change for an agency previously structured around its functions, operating in deep silos and working without reference to a strategy wider than the need to deliver a project.

Achieving this new culture will be a huge shift for NZTA. SLT is driving much of the work programme needed to create this shift with the support of the Transformation Office. A number of supporting pieces of the architecture to drive culture change are in place; for example, delegations and codified business processes.

At the time of this Review, work driving the big behaviour shift is only just beginning. Much of the effort in the transformation thus far has been on getting the organisational structure in place, rolling out the strategy frame and writing the first business plan.

Review

NZTA has traditionally done evaluation and review within the confines of individual projects. Evaluations were largely post-project reviews and not incorporated into the planning part of the project cycle.

That said, it was NZTA's own internal self-review that set up the transformation journey for the agency. It is already examining approaches for shorter-term post evaluations of State highway projects and completing the evaluative review for the Road Policing Programme.

The new customer-centric approach of NZTA requires a different approach informed by a wider strategy, underpinned by good data and analytics and working throughout the project cycle. This will demand a maturing of the underpinning data management functions of the agency, as well as the introduction of marketing analytics capability to bring the customer into the centre of project and programme design and evaluation.

Future focus for: Leadership and Direction

Opportunities:

- Forming a 'best team' with MoT to create a system with Regional Land Transport Plans, the NLTP and the GPS informed by coherent, medium-term strategy
- Achieving a well-supported, customer-centric organisation with customer-focused, collaborative and curious, empowered leaders
- Projecting the leadership of the agency, alongside MoT, into a wider system in which transport is an enabler for better social, economic and environmental outcomes
- Building analytical capacity and capability that is able to give insight into needs of customers in a rapidly evolving technology environment, on a system-wide basis.



Delivery for Customers and New Zealanders

Rating

Customers

- How well does the agency understand who its customers are and their short and longer term needs and impact?
- How clear is the agency's value proposition (the 'what')?



Operating Model

- How well does the agency's operating model (the 'how') support delivery of government priorities and core business?
- How well does the agency evaluate service delivery options?



Collaboration and Partnerships

- How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?
- How well do the agency and its strategic partners integrate services to deliver value to customers?



Experiences of the Public

- How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences?
- How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?



Customers

Prior to the transformation, NZTA was organised around roads, regulation and funding. It did not necessarily think about what value it delivered to all customers (end users of the transport system). Such customer focus that did exist really relied on the passion and commitment of individuals working around the system and across the organisational silos. For example, big problems, like tolling, which required NZTA to join up, were difficult to address because teams could not work effectively across the agency.

Through its transformation process, NZTA has put the customer at the heart of its strategy, operating model and organisational structure. It developed a simple, clear customer value statement with wide engagement from staff and the Board. The agency now has a value statement that is about customers, rather than a purpose statement about itself.

Placing the customer at the centre is driving the need for a much stronger system focus.

NZTA does not yet know enough about the needs and wants of customers, and 'would be' customers, to be clear about the value proposition (or value propositions) it offers, however it is starting in the right place by charting a path for the agency to follow to deliver integrated, multi-modal, technology-enabled transport solutions focused on customer need. It will need to develop its customer insights, including for those 'would-be' customers who are disadvantaged by the current land transport system and also how it will help customers to engage with new mobility options and adjust their transport preferences. It is not clear, at this point, whether customers yet realise they have become the focus of the agency. Now that NZTA has its view, the external engagement and research must begin. So too must the way in which NZTA engages and collaborates with stakeholders and customers.

Through its transformation process, NZTA has put the customer at the heart of its strategy, operating model and organisational structure.

Operating model

In its transformation, NZTA has shifted its operating model from one based on the 'things it did' to one based on a value chain. It has rearranged itself to reflect this approach. Underpinning corporate functions, (the enablers) are now together. The core functional capability of system design and delivery remains but now sits, in a value chain of strategy – systems – customer service, alongside policy and planning, investment and finance and customer design and delivery. Areas of new focus have been elevated and made visible in the operating structure. These are:

- Customer experience and behaviour
- Connected journey solutions
- Transport access delivery
- Safety and environment.

The new operating model positions the agency to obtain and use better customer insight to co-design solutions that work for them. Driving this model is the fact that transport is going through a technological disruption as significant as the move from horse to car. To be responsive, NZTA needs to understand its role and the place of transport in the contemporary whole.

Getting this model to work demands much at the organisational level. NZTA had lacked the ability to dynamically match people and financial resources to need at enterprise level. There has been:

- siloed planning and delivery
- poor sizing of resources needed to deliver the business plan at enterprise level
- poor visibility of resource allocation, including limited understanding of the actual costs of doing business
- inflexible internal systems unable to respond to changes in priority or new work.

Funding structures and rules are still a major issue. There is little movement between 'buckets', which will continue to reinforce old silos. The regulatory policy setting is prescriptive rather than principles-based, with change processes that do not operate in the same timeframe as the demand for new solutions. NZTA should probably be challenging MoT that the policy frame for funding is no longer fit for purpose.

All of this means there are cultural impediments inside NZTA to enabling a strategy-led value chain approach to doing business, as well as structural constraints in the system in which NZTA is embedded. The leadership will need to keep a close eye on these dynamics and be prepared to make further changes to support its operating model.

Collaboration and partnerships

The nature of its business means that NZTA collaborates and partners extensively with others. For example, large road construction projects may involve alliances. Road maintenance activities require collaboration with local government entities as these are funded on average 53% by NZTA. NZTA has a number of road maintenance and/or transport operations joint ventures with councils, each customised to the local context. A benefit to both parties of the joint venture arrangement may be that a region with limited technical resources can gain access in a practical way to NZTA's depth of expertise.

In its new strategy frame, one of the three strategic responses is 'Partnerships for Prosperity'. Three of the focus areas, "connect and develop regions", "deliver connected journeys" and "target rapid growth" all rely on strategic partnerships to deliver shared outcomes that have been agreed with other parties. Some of NZTA's business models:

- leverage the private sector (Warrants of Fitness)
- use service delivery agents to provide over the counter services and easy access to regulatory transactions, e.g. motor vehicle registrations, and to other regulatory services, e.g. driver testing.

An example where NZTA's behaviour is shifting from a contract arrangement for services to a more

genuine collaborative, co-producing approach is its relationship with the NZ Police. Here the two organisations are bringing together NZTA's 'safer journey's' alongside NZ Police's 'prevention first' and focusing on the outcomes that are being sought.

Effective collaborations and partnerships will require a more systematic understanding of customer than the agency has at present. There are pockets of good understanding, but these are project specific. Many of the collaborations NZTA has, or is seeking, are complex. NZTA can simultaneously be funder, regulator and collaborator in a relationship.

We had consistent messages throughout the Review that the relationship between NZTA and councils has fallen off recently. The general commentary from others involved with NZTA is that the agency has withdrawn somewhat over the last 6 to 12 months. This is the period that the organisation has been preparing for, and executing, the first stage of its transformation. Some stakeholders feel that the tightness of the relationship they have enjoyed with NZTA has slipped. They feel a distancing of the agency from them and are not sure if it is a consequence of the transformation or a real sign of increased centralisation.

It is important for the agency to re-engage externally and communicate the intent of the change and explain to stakeholders and others what it will mean for working relationships going forward. Stakeholders are concerned that these may become

more complex with the changes NZTA has put in place. These changes have left them unsure of how to 'navigate' and engage with NZTA, as familiar points of contact at NZTA have been disrupted.

Turning now to NZTA's relationship with other organisations in the transport sector, we see real opportunity for the agency. The relationship with MoT needs to mature, with genuine best teams forming across the two organisations. Both need each other to lift the legal and regulatory barriers to innovation. To fully implement its new strategy frame, NZTA will need far wider relationships across government as it seeks to deliver transport solutions that will drive better economic, social, health and environmental outcomes for all of its customers.

To provide increasing value over time, NZTA needs to enhance its relationships with strategic partners. One way to do this could be to build on some of the formal agreements it has with some local government entities and others to drive a more structured, strategic approach to realising the value for customers of land transport over their lifetimes.

NZTA is well-placed in this critical area due to the strong partnerships that it has built over time and its network outcomes and alliancing approach; it will need to step up to re-engage and enlist support from existing and new partners as it moves to a customer-centric operating model.

Experiences of the public

NZTA interacts directly with individual customers through its call centre operation and online registration and other services. It has a range of processes in place that seek to see continuous improvement in the services it offers. For example, reducing transaction times and costs for business, improving driver licensing processes by reducing wait times, and improving access and making it easier to interact online by improving web portals and migrating more services online.

Experiences of the public should be directly improved by implementation of the new operating model putting customer at the centre. Developments such as Mobility as a Service, currently being piloted in Queenstown and Auckland, should also positively impact citizens. There is considerable excitement about the pilot service from its current users. There is much for the agency to do in building its data and analytical capacity to elicit feedback from customers and citizens and to use this to directly improve services.

Future focus for: Delivery for Customers and New Zealanders

Opportunities:

- Building strong collaborative partnerships, particularly with MoT, to drive change and innovation in the transport system
- Lifting the game in data and analytics to directly improve the customer experience, through identifying opportunities to improve transport service delivery and address unmet needs and barriers to access for essential services
- Embedding the new operating model and driving the business through its focus areas
- Communicating the transformation story to stakeholders and customers and showing them the benefits by action.

Engagement with Ministers

- How well does the agency provide advice and services to Ministers?


Sector Contribution

- How effectively does the agency contribute to improvements in public sector performance?



Engagement with Ministers

This Review was undertaken through the period of the general election and subsequent government formation. As a result of this, Ministers' views on the agency's advice and services were not sought as part of the process. Nonetheless, what is already clear from statements made by the new Labour-led Coalition Government is that it intends to take an approach to transport policy that reflects the investment needs of all modes.

This means that NZTA's move away from a road-centric approach to land transport needs and towards customer journeys is timely, as NZTA faces the greater complexity that a multi-modal approach to transport policy will bring. The transformation that is already underway in the organisation is driving it in a direction that will ensure it will be able to respond to the new policy demands of the Government.

Sector contribution

Here we are considering the relationships NZTA has and the work it does to enhance public sector performance. We are not talking about the relationships within the delivery envelope of big construction projects.

To contribute effectively to improved performance of the public sector, NZTA needs to work harmoniously with MoT. There is a good relationship between the two Chief Executives, but still a tension between the two organisations;

time will tell how much of this is down to individuals. The Kaikōura project gives a recent example of effective engagement between the two. NZTA was a constructive partner to MoT in the Auckland Transport Alignment Project. Both agencies will need to engage further across the Public Service, to social agencies, in particular, whose outcomes will be to some extent dependent on sound, affordable, accessible transport services for their clients.

There is good work on regulatory practice and participation in NZTA. An online support tool, developed to support this work, may be opened up for wider use across the transport system. The relationship with NZ Police, which has the potential to lift safety outcomes significantly, is covered elsewhere in this report. Another example is the Roadway Efficiency Group capability development partnership with local government.

NZTA is the big agency for local government. The relationship has traditionally been characterised by strong person-to-person relationships driving strong results. Local government entities report a "falling-off" in the relationship over the last year. There is general acceptance that the transformation may be contributing to this but there is a strong desire to re-engage soon. The NZTA-council relationship is critical to good stewardship of the country's land transport assets.

Future focus for: Relationships

Opportunities:

- A best-team's approach to interacting with MoT, resulting in better data and analytics underpinning a collaborative strategy environment driving better performance and resilience across the transport sector
- Understanding how its multiple roles as funder, provider, regulator, contractor contribute to the overall performance of the transport sector and what it can do to enhance that performance
- Using the Long Term Strategic View and its strategy frame to drive new relationships with central government agencies that are important in the social, economic and environmental outcomes to which it aspires.

Leadership and Workforce Development

- How well does the agency develop its workforce (including its leadership)?
- How well does the agency anticipate and respond to future capacity and capability requirements?



Management of People Performance

- How well does the agency encourage high performance and continuous improvement amongst its workforce?
- How well does the agency deal with poor or inadequate performance?



Engagement with Staff

- How well does the agency manage its employee relations?
- How well does the agency develop and maintain a diverse, highly committed and engaged workforce?



Leadership and workforce development

We are writing this Review report just as the final appointments to roles at tiers 2, 3 and 4 of NZTA are completed. One hundred further roles are under active recruitment. The people impact of the transformation is probably being felt more keenly in the regions, with the shift from a 'hub and spoke' model to 'one organisation'.

The focus through the transformation process has been to get people moved and to give them a chance to develop in the new organisation. A change in their world is occurring for staff. The focus areas are being used to drive the team focus. Accountability is arriving into the system with a more purposeful approach to personal development.

The agency does not know the full extent of its capability needs. Work has started on a workforce plan, with a view to completing this by the end of financial year 2018. Engagement sessions are being run around the organisation to develop an understanding of future capability needs.

The unifying driver for leadership of the agency is its new customer value statement: "Great journeys to keep New Zealand moving". This is being used to make NZTA customer-centric, supported by an enterprise system (not yet in place), with individual leadership empowerment. The culture shift needed to achieve this is profound, and work in this area is only just starting. It will demand much of the core leadership group of the agency.

Resource has been put in place to support and drive this change. Work is underway to line up the foundational infrastructure to get coherence in, for example, delegations and leadership behaviours. There has been a wide range of projects running, without a true programme view. Different parts of the agency were in various stages of being ready for the change. The agency may have benefited from standing up the Transformation Office six months earlier than it did.

Management of people performance

As in other corporate functions there has been under-resourcing over time; the enterprise machinery to underpin good performance management needs to be developed and work on the workforce roadmap accelerated. There is a lot of thinking and analysis to do before there is any enterprise solution. The pay-roll system is described as "rock solid" and run internally (but it is not an enterprise solution). To get the integrated systems and processes desired will need an agile approach that does not demand perfection at every step.

As part of the transformation, performance descriptors and behavioural expectations have been redrafted for leaders and people. A simplified performance and development template is in place along with supporting information to clarify roles and responsibilities in performance and development planning. It is early in this change process. The conversations that managers and leaders have with their people will make the difference and they will require support and development to be able to do this effectively. It will be a while before evidence emerges to show that this is happening.

Engagement with staff

In 2017 NZTA replaced the Gallup engagement survey with a new tool, “Ask your team survey”. The survey was run in March 2017 to provide a benchmark prior to the transformation. At that time, 73% of respondents agreed the agency is a great place to work. The new tool will allow quick pulse surveys to monitor more specific pain points in the organisation.

Generally, in our conversations across the agency, staff see NZTA as a great place to work. They enjoy their work colleagues, like the work atmosphere, believe they have reasonable pay and job security and are excited about the purpose of the agency. Notwithstanding this, there is some frustration over the change process, particularly when that change has affected team, reporting line or perceived workload. As with any transformation process, it is clear that there is still some tidying up needed. It is probably useful for the leadership to be open to suggestions that come its way over the next six months.

About 20% of the staff belong to trade unions, either E Tū or the Public Service Association. Despite some past difficulties, the relationships with the unions are constructive and sponsored at the chief executive level.

NZTA has a dedicated recruitment function ensuring sound practice. It encourages diversity and inclusion in the recruitment process. There is considerable room for more diversity in NZTA's workforce⁵, including in the higher paid technical and advisory roles. This is particularly important as the agency seeks to become customer-centric. The agency has a good balance between female and male employees (52% to 48%), with a developing balance at senior leadership levels (42% female). However, the ethnic diversity at the agency is well below that of the Public Service and not representative of the ethnic mix of New Zealanders.

The gender and ethnic pay gaps for the agency are considerably above those for the Public Service, suggesting that NZTA has a large challenge to achieve true diversity and inclusion in its workforce.

Future focus for: People Development

Opportunities:

- Getting line of sight for all staff from the value statement, through the focus areas to team and individual performance expectations and capability development opportunities
- Modelling the new behaviours expected of managers in enabling the performance development system from the senior team down
- Keeping people and their needs at the centre of the transformation and actively monitoring what the organisation can bear through the change process.

5 NZTA statistics taken from the agency's Annual Report 30 June 2017; Public Service comparative data was at 30 June 2017; comparison for ethnic mix in New Zealand is from the New Zealand Census in 2013.

Asset Management

- How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?



Information Management

- How well does the agency manage and use information as a strategic asset?



Financial Management

- How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?



Risk Management

- How well does the agency identify and manage agency and Crown risk?



Asset management

NZTA manages assets in four domains:

- considerable road network assets, valued at \$34 billion at 30 June 2017
- properties held for sale (\$50 million)
- its own corporate assets – leasehold improvements, plant and office equipment, and capitalised software – (\$56 million)
- financial assets of the National Land Transport Fund – cash collected annually to fund the National Land Transport Programme and the Road Policing Programme – \$3.7 billion in 2016/2017.

NZTA is classified as a Tier 1 investment-intensive agency by the Treasury and has an Investor Confidence Rating of B (published July 2016) covering management of the State highway asset, the National Land Transport Programme and delivery of State highway programmes and projects. The Treasury considered NZTA has strong asset management practices and delivers projects, on time, to scope and budget; however, its actual benefits delivery programme was assessed as needing strengthening. NZTA's rating is due to be re-assessed in 2018.

Road network assets

With respect to the road network, following the Investor Confidence Rating review at the end of 2015, NZTA identified three improvement areas:

- improving the quality of road data, strengthening business systems and decision making tools, and improving the consistency of business processes
- implementing benefits realisation in a consistent framework and applying it both at programme planning and evaluation
- lifting the level of maturity of investment management with respect to managing a complex work programme at project, portfolio and network levels.

NZTA's Long Term Strategic View needs to influence the requirements of the Long Term Investment Programme and drive more coherence through the full suite of planning and performance documents.

This is a demanding area in which to work, given that NZTA does not maintain its road assets alone, but in collaboration with local government. There is evidence that there is not a clearly shared understanding between NZTA and councils of the desired

performance level of road assets and the investment needed to ensure that performance. Notwithstanding this, there is agreement that having one road classification system and more data is a good thing.

Corporate assets

With respect to NZTA's management of its own assets, this function has just been centralised in the Corporate Services Group. It will take some time to achieve full integration and for an enterprise-wide agreed asset management plan to be developed.

Information management

At a whole of organisation level, NZTA has recognised it is not well-positioned to manage the information it collects as a strategic asset. It is relying on disparate legacy systems and platforms and is intending to develop a business information roadmap and investment programme as part of its transformation journey. There are three domains of information management in NZTA. These are:

- Corporate
- Customer – both data about customer needs and service experiences and the national registers (licensed drivers and vehicle registration/ownership)
- Intelligent transport systems.

Corporate systems have been brought together as part of the transformation from 1 July 2017. There is a cost-plus stack of solutions driven by individual requirements in different parts of the agency. It is only now that the agency is able to begin looking coherently at the enterprise layer. There is some data management capacity but no real plans to use it. Big warehousing projects remain on hold so that more consideration is given to data and data management needs. Real-time information suits a range of the data needs of the agency and is a lot cheaper. Generally, there has been underinvestment in corporate and information systems and practices over time.

The **customer domain** is complex. Three different Acts of Parliament govern NZTA. Privacy legislation is currently a constraint to progressing data matching. The agency is being careful not to invest in expensive data warehousing solutions that could easily be overtaken by other technologies before they are even implemented. There will need to be a step jump if the agency is to build systems for the future world. At present, there is possibly not enough technology awareness in the organisation to facilitate this. NZTA's information systems still contain a lot of paper. Some of the innovations in service delivery that it would like to progress may not be possible because of prescriptive legislation or until the agency has made the necessary investment in technology.

Intelligent transport systems (e.g. tunnel management, Waterview; smart motorway, Wellington; tolling, Tauranga) have generally been outsourced; individual engineering solutions were implemented over time as required by each build project. At this juncture, engineering and technology are really not linked. This 'build project' approach has created challenges for NZTA; managing a range of individual systems adds complexity to asset maintenance and renewal and to security management. To address this the agency is seeking to develop a common approach to technology solutions, with established protocols and standards. Already the new organisational structure is pulling together project-driven technology conversations; decision rights have shifted from project to system. This is requiring a lot of 'pull', with strong governance oversight from an internal Investment Management Board.

NZTA is just starting to explore what information management systems may be required as future transport infrastructure, such as systems to support Mobility as a Service.

Financial management

The appointment to the Executive Leadership Team of a new General Manager, Investment and Finance and creation of an Investment and Finance business group indicate the importance of strategic financial advice to help this investment-intensive agency understand and manage, in the medium- to long-term, its operational and balance sheet financial pressures and opportunities and to chart the changes that will be necessary to the National Land Transport Fund.

The corporate financial management systems are a disparate collection of individual solutions, lacking flexibility and customised to past practice. Internal processes are slow and clunky, with lots of manual touchpoints. As with other corporate systems that have only been centralised as part of the current transformation process, there has been underinvestment over time. Further, not all financial management has been centralised. The opportunity to provide a strategic finance lens to the operation of NZTA is only just arising and is not well supported by the existing systems.

Financial reporting to the Board is by output and activity classes. The new focus areas do not fit and are not reported on. We understand there is already discussion occurring between the Treasury and NZTA on the need to review the output classes.

Management of the revenue collection (road user charges, excise, and licensing fees) meets external deadline requirements. It is reasonable to expect that the revenue mix collected from road user charges, excise, and tolling will change over time and the agency will need to ensure that its payment collection systems can handle this change.

Risk management

There are good risk management and internal audit practices and procedures in place. As with other parts of the corporate function, there are challenges in bringing things together from the pre-transformation silos and getting some consistency across the whole.

The internal audit function reports to the Audit, Risk and Assurance Committee of the Board and has a separate reporting line to the Chief Executive. For large projects, there are separate probity audits of procurement performed by Audit NZ. For big Public Private Partnerships, independent legal firms perform the probity audits.

The tools for assurance of regulatory and legislative compliance seem weak. The current process is manual and reports on breaches, rather than managing risk. Some thought might be given to introducing a tool such as 'Comply With'. More generally, the new operating model creates an opportunity for the internal audit function to be engaged in providing assurance to big business cases as they are developed, rather than just providing a view *ex post*.

The risk management function seems quite mature. A lot of reporting goes to SLT and to the Board, with the Board playing an active role in confirming strategic risks. The dust is still settling, post transformation, on management of business group risks. There is an opportunity to do more work on risk appetite and tolerance and to enhance the culture of managing risk.

Future focus for: Financial and Resource Management

Opportunities:

- Establishing an asset register for the State highway network, maturing an understanding of capital utilisation and developing a robust understanding of value for money
- Supporting the current valuation improvement project to drive a more robust approach to the valuation of the State highway network
- Lifting the data game and especially using customer experience data to understand and drive service delivery improvements and innovation
- Bringing an enterprise frame to all of the core corporate functions and delivering consistent rules, procedures and strategic analysis and advice to all of the agency's business
- Driving, through the Long Term Strategic View and the focus areas, alignment between all of the corporate functions. This has the potential to lift, simplify and make reporting more relevant to managing risk, particularly emergent risk.

4

Appendices

In this section:

Lead Reviewers' Acknowledgement
About the Ministry of Transport
Framework Questions
Ratings Scale
Stakeholders Interviewed

Lead Reviewers' acknowledgement

The Board and Chief Executive commissioned this Review, to be undertaken at the end of the first big phase of a deliberate, bold, multi-year programme of transformation at NZTA.

We were struck by the knowledge and commitment of all interviewees and their enthusiasm for the work of NZTA. There was considerable understanding of the future challenges for the agency and New Zealand's transport system.

We thank NZTA's Board, staff, stakeholders, partners and representatives of customers as well as local and central agency officials for insights and suggestions, enabling us to synthesise a wide range of perspectives and our own observations to build a picture of the performance improvement challenge for NZTA.

About the New Zealand Transport Agency

NZTA was formed as a Crown entity in 2008 with responsibility to contribute to an efficient, effective and safe land transport system in the public interest as set out in the Land Transport Management Act 2003 (the Act). The Act and a wide range of other legislation and regulations describe roles for NZTA, its authority to act and a range of powers, including:

- planning, delivering, maintaining and managing the State highway network
- managing funding of the land transport system, which includes toll roads and co-funding with local authorities of agreed transport infrastructure, public transport and transport accessibility options
- delivering road safety campaigns, education programmes, compliance and enforcement and funding the Road Policing Programme
- investigating accidents and incidents involving land transport
- developing, operating and enforcing driver, vehicle and railway licensing requirements, managing the driver and vehicle registers and auditing third party delivery of outsourced licensing services
- collecting revenues directly and through third parties for the National Land Transport Fund and from a variety of licensing and registry services.

The Minister of Transport issues medium-term direction for land transport under the Act through the GPS. This is updated on a triennial basis (or as otherwise determined by the Government) and sets out priorities for investment of the National Land Transport Fund over a 10-year period.

NZTA's net assets are valued at \$35 billion (98% of which is the State highway network, one of the Crown's largest assets). Its annual revenue includes around \$3 billion from the National Land Transport Fund, around \$180 million from fees and charges and variable annual amounts of Crown funding for specific projects, such as the Kaikōura Earthquake Response, SuperGold card administration and concessions and the Urban Cycleways Programme. NZTA's annual expenditure of over \$2.3 billion is largely spent on the maintenance and operation of the State highway network and other land transport funding, with 11% allocated to NZTA's personnel and operating costs.

NZTA is governed by a Board of up to eight members appointed by the Minister of Transport.

As at 30 June 2017, NZTA employed 1,352 full-time equivalents (FTEs) and expects this figure to rise to return to approximately 1,430 FTEs when vacancies are filled. Staff are located at 21 locations, from Whangārei to Dunedin.

Framework Questions

Four-year Excellence Horizon

What is the agency's performance improvement challenge?

Results

Government Priorities	1. How well is the agency responding to Government Priorities?
Core Business	2. In each Core Business area, how well does the agency deliver value to its customers and New Zealanders? 3. In each Core Business area, how well does the agency demonstrate increased value over time? 4. How well does the agency exercise its stewardship role over regulation?

Organisational Management

Leadership and Direction	Purpose, Vision and Strategy	5. How well do the staff and stakeholders understand the agency's purpose, vision and strategy? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and Governance	7. How well does the senior team provide collective leadership and direction to the agency and how well does it implement change? 8. How effectively does the Board lead the Crown entity? (For Crown entities only)
	Values, Behaviour and Culture	9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?
	Review	10. How well does the agency encourage and use evaluative activity?
Delivery for Customers and New Zealanders	Customers	11. How well does the agency understand who its customers are and their short- and longer-term needs and impact? 12. How clear is the agency's value proposition (the 'what')?
	Operating Model	13. How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business? 14. How well does the agency evaluate service delivery options?
	Collaboration and Partnerships	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers? 16. How well do the agency and its strategic partners integrate services to deliver value to customers?
	Experiences of the Public	17. How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences? 18. How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?
Relationships	Engagement with Ministers	19. How well does the agency provide advice and services to Ministers?
	Sector Contribution	20. How effectively does the agency contribute to improvements in public sector performance?
People Development	Leadership and Workforce Development	21. How well does the agency develop its workforce (including its leadership)? 22. How well does the agency anticipate and respond to future capacity and capability requirements?
	Management of People Performance	23. How well does the agency encourage high performance and continuous improvement amongst its workforce? 24. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	25. How well does the agency manage its employee relations? 26. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	27. How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?
	Information Management	28. How well does the agency manage and use information as a strategic asset?
	Financial Management	29. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
	Risk Management	30. How well does the agency identify and manage agency and Crown risk?

Ratings Scale

Rating	What it means
	<p>Strong</p> <p>High level of capability and sustained and consistently high levels of performance Systems in place to monitor and build capability to meet future demands Organisational learning and external benchmarking used to continuously evaluate and improve performance.</p>
	<p>Well-placed</p> <p>Delivering to expectations with examples of high levels of performance Evidence of attention given to assessing future demands and capability needs Comprehensive and consistently good organisational practices and systems in place to support effective management.</p>
	<p>Needing development</p> <p>Adequate current performance – concerns about future performance Beginning to focus on processes, repeatability, evaluation and improvement and management beyond and across units Areas of underperformance or lack of capability are recognised by the agency Strategies or action plans to lift performance or capability, or remedy deficiencies are in place and being implemented.</p>
	<p>Weak</p> <p>Significant area(s) of critical weakness or concern in terms of delivery and/or capability Management focuses on tasks and actions rather than results and impacts Agency has limited or no awareness of critical weaknesses or concerns Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.</p>
	<p>Not able to rate</p> <p>No evidence upon which a judgement can be made; or The evidence available does not allow a credible judgement to be made.</p>

Note: There have been four significant upgrades to the PIF Agency Model since it was implemented in 2009. The first was the inclusion of the Four-year Excellence Horizon in October 2011. The second was the Strategic Financial Management upgrade in December 2012. The third was the Better Public Services upgrade in January 2014. The most recent is the Customer refresh. These upgrades affect comparability with previous PIF reports.

Interviewees

The Lead Reviewers and the New Zealand Transport Agency are grateful to the following organisations for contributing insights for this Review:

- Accident Compensation Corporation
- Auckland City Council
- Auckland Transport
- Automobile Association
- Burleigh Evatt
- Bus and Coach Association
- Civil Contractors Federation of NZ
- Ernst & Young
- E Tū Union
- Greater Wellington Regional Council
- Hastings District Council
- Higgins Contractors
- KiwiRail
- KPMG
- L.E.K Consulting (Australia)
- Local Government New Zealand
- Mainfreight Limited
- Maritime New Zealand
- Ministry of Business, Innovation and Employment
- Ministry of Transport
- Northland Regional Council
- New Zealand Police
- Office of the Auditor-General
- Port of Tauranga Limited
- Public Service Association
- R Bruce Robertson Limited
- Road Transport Forum
- Southland District Council
- The Association of Consulting Engineers New Zealand
- Te Waiora Joint Institute for Freshwater Management
- Tourism Industry Association
- Transport for New South Wales
- Vehicle Testing NZ Limited
- Victoria University of Wellington

This PIF Review was informed by input from officials and the Board of the New Zealand Transport Agency. Officials from State Services Commission, The Treasury, and the Department of the Prime Minister and Cabinet also contributed to the PIF Review.